U.S. News & World Report

MARCH 11, 1955 20 CENTS

IS INFLATION ON ITS WAY BACK?

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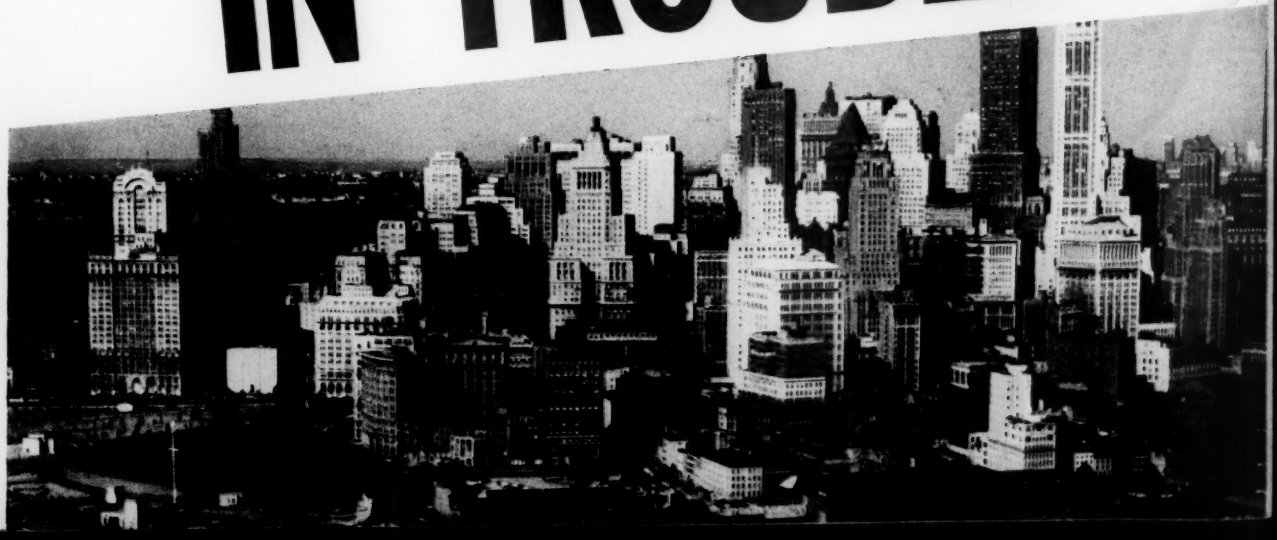
NEW YORK CITY IN TROUBLE



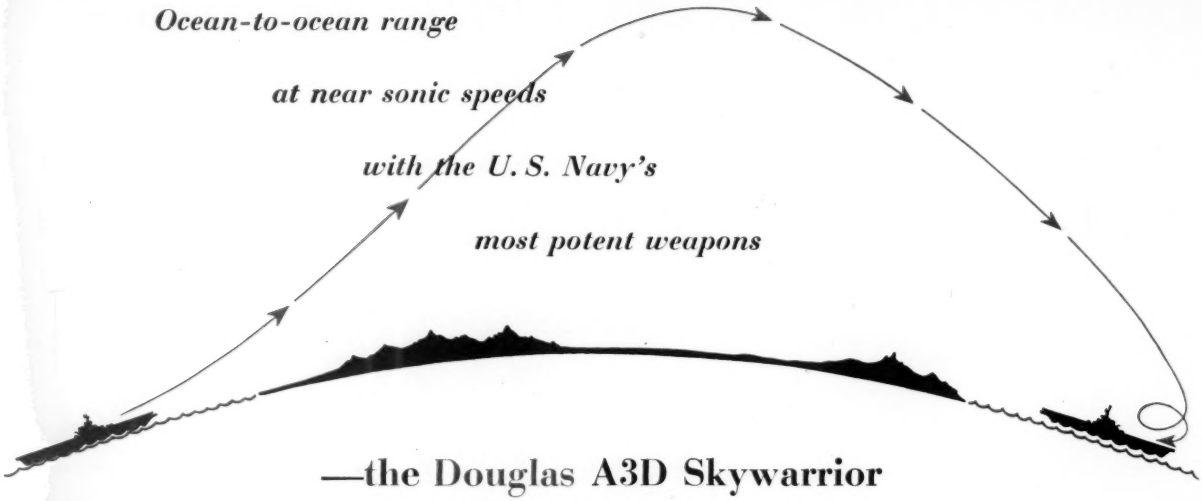
No. 42 in a series:

Ocean-to-ocean range

at near sonic speeds

with the U. S. Navy's

most potent weapons

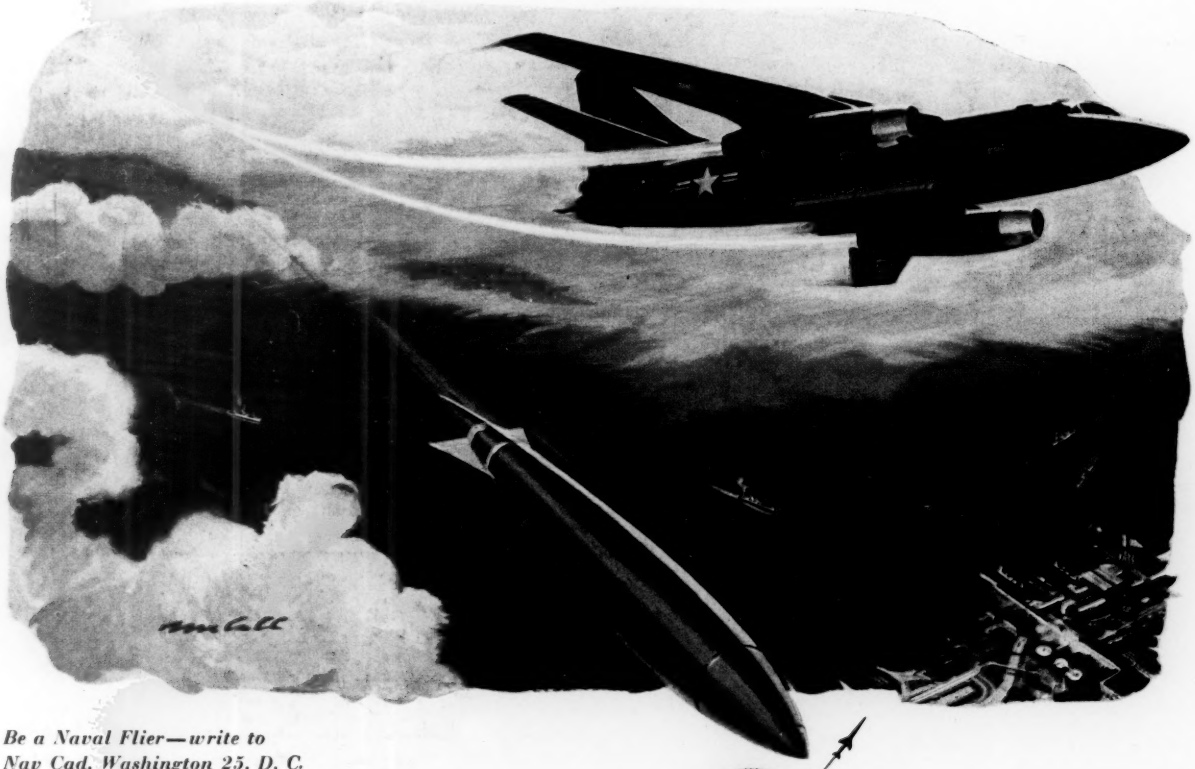


—the Douglas A3D Skywarrior

Largest of all carrier-based aircraft, the Douglas A3D Skywarrior adds new punch, speed and "reach" to the striking force of our fleet air arm.

Skywarrior catapults or sprints from carrier decks to fly in the 600-700 mph class. Its great range with huge payload would permit taking off from a carrier in one ocean, completing a mid-continent bombing mission, and continuing to a waiting carrier in an opposite ocean. Further, its simplicity of airframe allows wide flexibility in the missions it can handle. In short, the twin jet A3D Skywarrior carries on the Douglas tradition of more airplane per dollar.

Designing planes that will fly farther and faster with a bigger payload is a basic Douglas concept . . . a concept which has made Douglas the largest aircraft manufacturer in the world.



Be a Naval Flier—write to
Nav Cad, Washington 25, D. C.

Depend on *DOUGLAS* **First in Aviation**

How are you going to put Mother Nature in jail?

THERE'S a great hue and cry at the moment for shorter hours at the same pay. And if an employer violates any resulting law, put him in jail!

The biggest employer (and producer) in the world is Nature. (Must be pretty wise, too—she's been a successful employer for 5,000 years.)

Suppose a farmer—working, as he does, for this big employer—insists on shorter hours. Of course that means he will raise less food and so have less to sell. Naturally, then, he has less income. All the laws in the world cannot change that fact on a farm or in a factory. You can *only* be paid out of what you produce, and so the less you produce, the less you can be paid; the more you produce, the more you can be paid.

When workmen demand and get the *same* pay for fewer hours and less work, one of two things must happen:

1. With *same wages* spread over *fewer pieces,* the cost of what they make must go up. Then fewer people will pay the higher price, and so, very soon, there are fewer jobs.

Or—

2. The smart worker can still produce even more, in *shorter* hours, if he has modern machines, and uses them well. Then he and his machines *produce* the higher wage *and* reduce the cost. Then *more* people can buy his production, and his job becomes *more secure.*

Of course, there is a third "solution". It is *government control*—which fixes wages, fixes prices, and *orders* production.

Ask the workers of communist-dominated countries if they wouldn't rather have produced more—as free men.

Gradall ditching

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IN THIS ISSUE

★ Russia's New Rulers: A Firsthand Report

What kind of men are the new rulers in the Kremlin? Cautious or reckless? Basically humane or ruthless? Are they types who might sacrifice world peace to get their way? Here are the answers—which could give the tip-off for war or peace—from an American who just returned from talks with each member of the new top team. Page 84.

★ Are Stock Prices Too High for Safety?

If stock prices go on rising for another year, will that threaten prosperity? For a look at what hundreds of experts are telling Congress in a poll, see page 116.

★ How the American Idea Finally Has Hit Europe

Impact of American business methods is changing old concepts all over Europe. This is a report from *U.S. News & World Report* correspondents in five countries. Page 35.

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THE UNITED STATES NEWS

WORLD REPORT

U. S. WEEKLY
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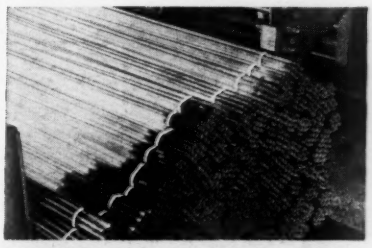

BUNDLE metal conduit, pipe, tubing, lumber, and other hard-to-handle materials with "SCOTCH" Filament Tape and automatic banding and bundling machine. Tape sticks at a touch; holds firmly; won't scratch or mar surface.

UNITIZE shipments of bagged goods with "SCOTCH" Filament Tape. A quick, inexpensive way to reduce damage claims due to load shifting, bulging, vibration.

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The March of the News

NO FRINGE ON TOP

APPREHENSIVE CONGRESSMEN sampled the opinion "back home" and decided to content themselves with a flat 50 per cent pay increase. From now on, legislators will be paid $22,500 per year. They had been getting $15,000, including a taxable expense fund of $2,500.

Extra fringe benefits were included in the bill up until the last minute. Each branch of Congress had approved some of them. So had a joint conference committee. Then the legislators had a change of heart, knocked out the extras.

Jettisoned: a House proposal for a tax-free expense allowance of $1,250; and a Senate plan for five extra round trips home per year, at Government expense. Legislators will continue to get 20 cents a mile for one trip yearly.

NEW TRIAL DENIED

AN ABOUT-FACE by one witness is not reason enough to overturn the conviction of 13 second-string Communist leaders, the Supreme Court ruled. The Communists were convicted in January, 1953, of conspiring to overthrow the Government. One of many witnesses at the trial was Harvey M. Matusow, who now says his testimony was false.

Supreme Court Justices received a petition for a rehearing, accompanied by an affidavit from Mr. Matusow. They turned it down without comment.

BRAIN-WASHED BRITONS

THE TRUTH about treatment of 978 British prisoners, captured by the Communists in Korea and since released, was made known officially for the first time. Great Britain's Ministry of Defense finally moved to dispel the "confusing and bewildering" reports that came from the first British prisoners released, back in April, 1953.

Those prisoners, the Defense Ministry explained, had been chosen carefully by the Chinese to include some Communist sympathizers. After interviewing hundreds of other released prisoners, officials issued a pamphlet describing the brain washing, deprivations and tortures undergone by their prisoners of war.

As for British Commonwealth "visitors," who had seen the camps during the war—and whose glowing accounts of conditions in them had added to the "confusion"—they had numbered five: Wilfred Burchett, Alan Winnington and Michael Shapiro, correspondents for Communist newspapers; Communist Party member Jack Gaster, and Mrs. Monica Felton, chairman of a federation affiliated with "an international Communist-front organization."

LUNCHEON WITH IKE

INVITATIONS WILL GO OUT to all freshmen Congressmen, Republicans and Democrats alike, the White House announced. President Eisenhower is holding a new series of luncheons to get acquainted with legislators.

First on the list were the newly elected Senators, all at one time. And among the 19 House members invited to the first luncheon for Representatives was one lady: Democrat Iris F. Blitch, of Georgia.

PROGRESS IN JETS

THE U. S. AIR FORCE acted to "beef up" the nation's air power. And the result of one move was a boost for U. S. plane makers in their race with Britain for the lead in commercial jets.

Orders went out for two jet-tanker planes that can refuel the speediest jet bombers in mid-air. One order went to Boeing Airplane Company, for an additional fleet of KC-135 Stratotankers; another went to Lockheed Aircraft Corporation for development of an advanced type of jet tanker.

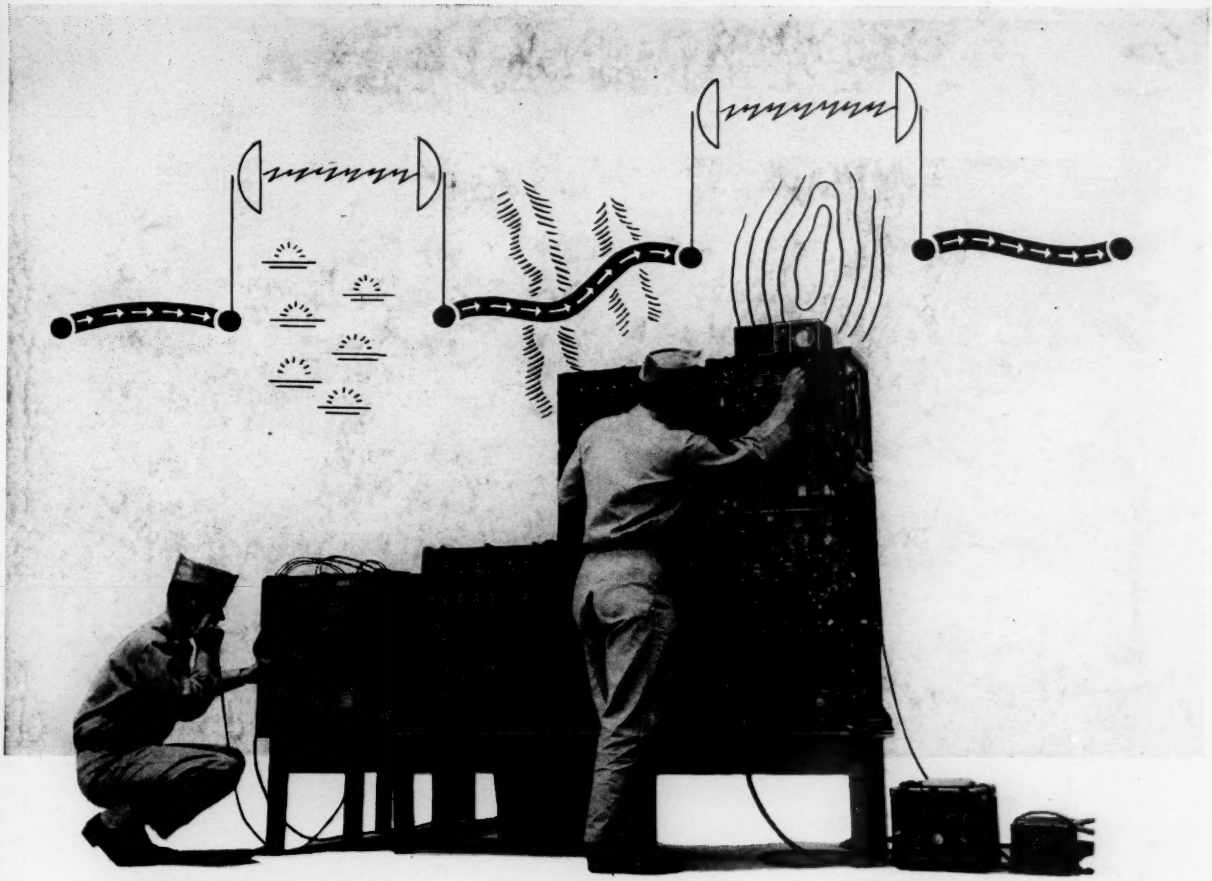
With the jet tanker in big-scale production, Boeing is in better position to go ahead with a sister ship, the 707, only U. S. commercial jet liner now in sight.

Air Force orders also were given to set up the first wing of B-52 heavy bombers. The B-52, another Boeing plane, is a new heavy bomber with eight jet engines, intercontinental range, capacity for hydrogen bombs.

WHO'S AN AMATEUR

AMERICAN COLLEGE ATHLETICS got a going over from the president of New York University, Dr. Buell G. Gallagher. Americans, he says, are "considerably exercised over the way in which Soviet athletics are receiving Government subsidy." He adds: ". . . Yet the whole of our big-time intercollegiate sports world is strictly professional. The players are hired by the highest bidder and play for the pay they get—in scholarships, jobs or cash."

Dr. Gallagher's own university was rocked by a basketball scandal shortly before he came to the campus in 1952. His suggestion now: that two intercollegiate leagues be set up—one amateur, the other frankly professional.



NO OBSTACLE TOO GREAT. Signal Corps men tune in a new military communications system combining land lines and radio. Map shows how radio is used to jump across a swamp and a deep ravine, both difficult to cross quickly by land line.

A Leapfrog Telephone System for the Armed Forces

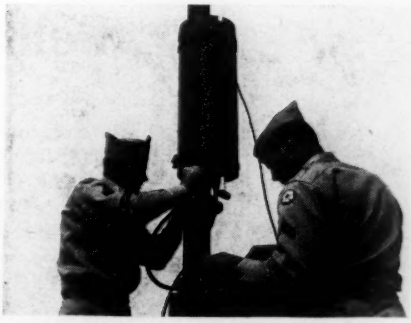
The Bell System now is producing for the military a telephone system that will go anywhere communications are needed. When water or rough terrain prevents the stringing of wire, it takes to the air. Thus vital contact for our Armed Forces—no matter where they may be located—is assured.

When Signal Corps linemen encounter geographical obstacles, they now can easily erect a portable antenna. This connects land lines by radio links, which leapfrog the trouble area.

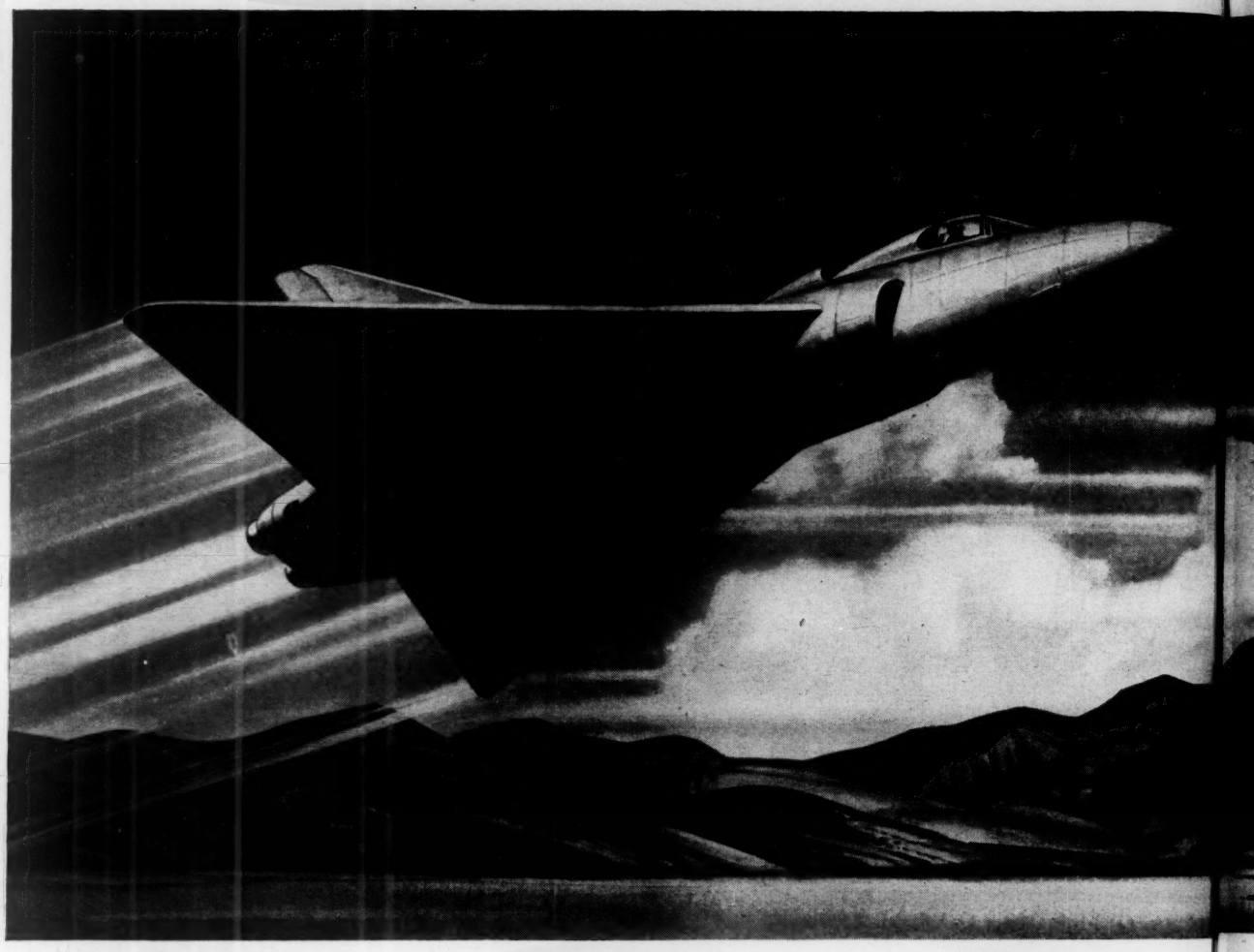
This rugged communications system was developed for the U. S. Signal Corps by the Bell Telephone Laboratories. It has a 1000-mile range and can carry as many as 12 voices at once.

Uninterrupted flow of information is an important tactical weapon for today's Armed Forces. The Bell System works closely with the nation's military forces in developing and providing the most complete and modern communications in the world.

BELL TELEPHONE SYSTEM



AMPLIFIERS like this can be used on a pole or the ground and even will work under water. Although the system is lighter and more portable than any used previously, transmission quality is unusually good.



FROM THE "SPIRIT OF ST. LOUIS" TO JETS

Bendix Has Helped American Aviation Solutions to Fuel Metering and Engine

WHEN anything moves as fast as aviation has since Lindbergh's famous flight, a special brand of creative engineering is required to successfully anticipate the industry's needs.

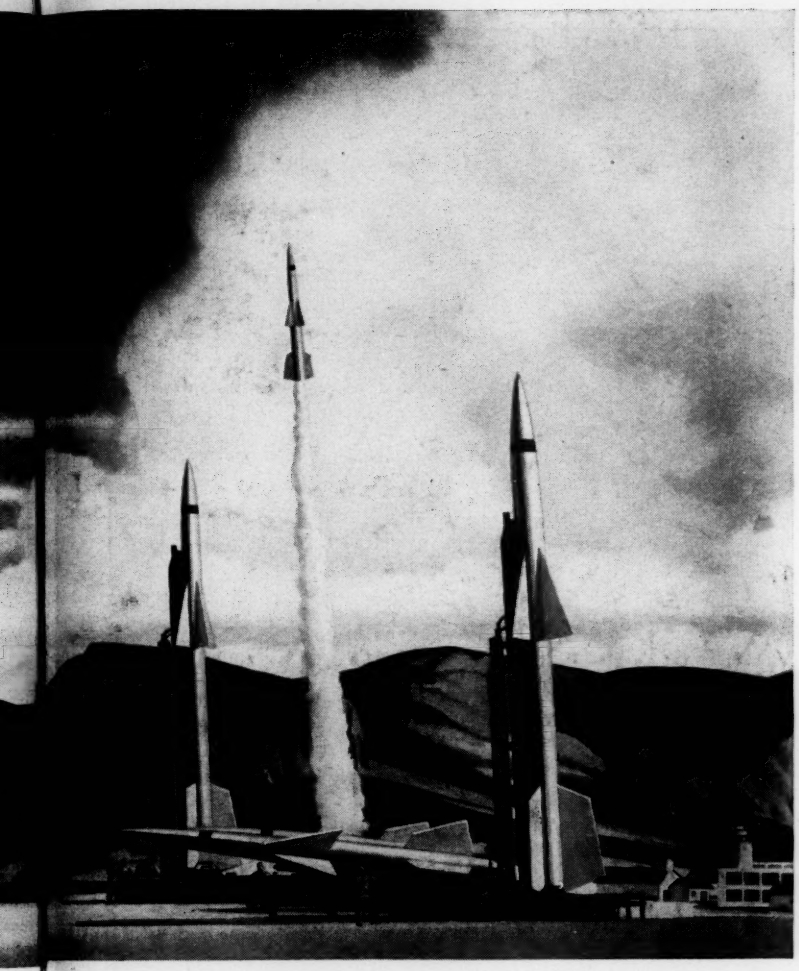
You can't just design a fine carburetor and rest on your oars, because somebody will come up with a different or more powerful engine that needs a new carburetion approach.

You can't even confine your thinking to carburetors, because DC-7s, Super Constellations and B-36 bombers require something entirely different. And unless your ingenuity has produced an answer like the Bendix* direct fuel injection system, you are out of the ball game.

And then, of course, they're liable to throw away the script and heave you the jet-engine curve you can't touch with either carburetors or direct injection.

The jet is absolutely no kin to the piston-type engine. It's a super-powerful, sensitive creation that gave pilots many, many problems until Bendix brought out a completely automatic system of fuel metering and engine control. It has been so successful that Bendix fuel metering and engine control systems are standard equipment on a great majority of modern jet engines. And going further, Bendix fuel metering controls do an excellent job on guided missiles.

A quick review shows how Bendix ingenuity and leadership in this field pays off—Bendix carburetors are on DC-3s, DC-4s, DC-6s, Convairs and Martins; direct injection systems are on DC-7s, Super Constel-



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lations and B-36s; fuel metering and engine control systems are on our most advanced military jet and turboprop engines.

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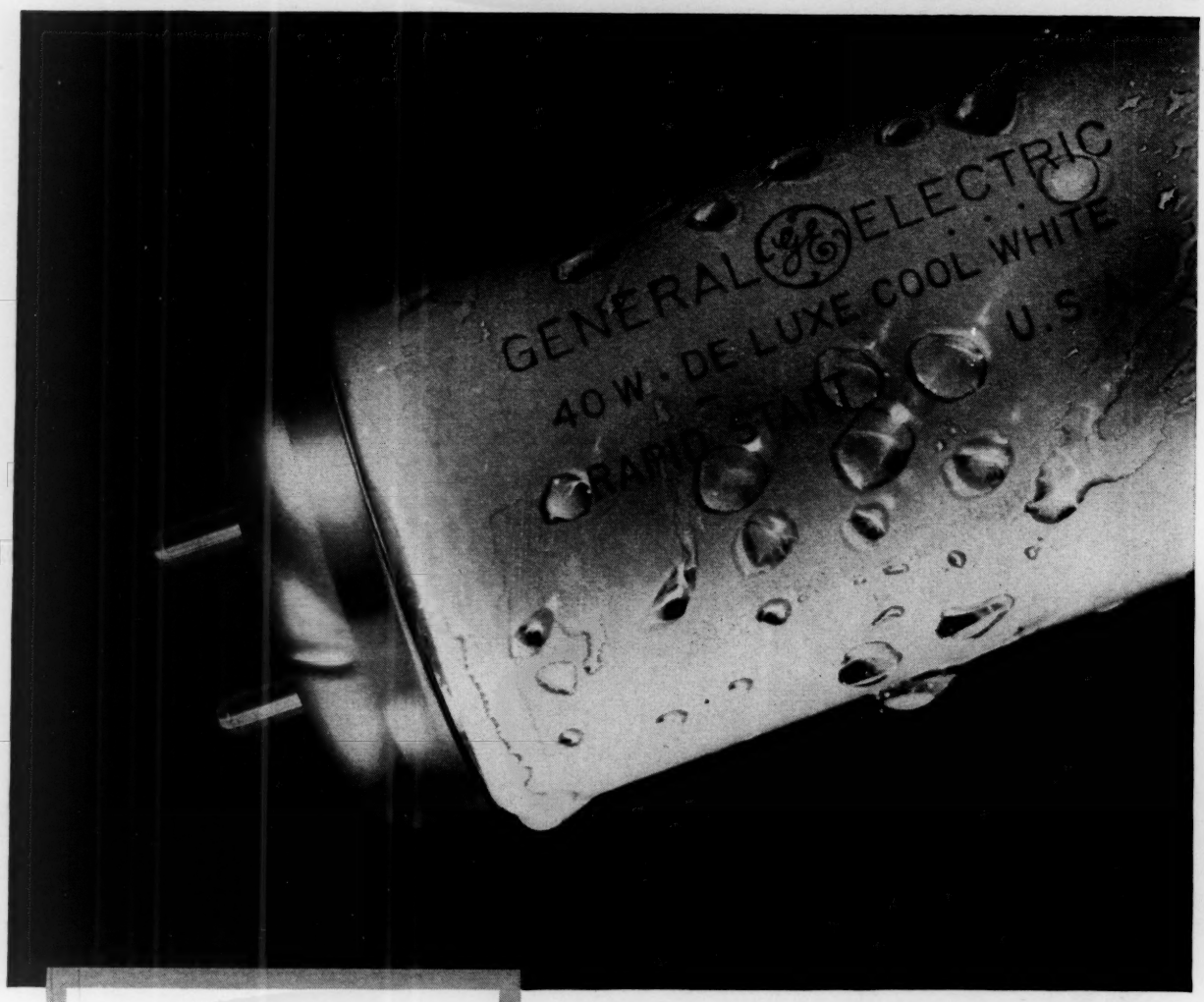

Invisible coating helps new G-E Rapid Start Lamps light faster

THE film of water that condenses on a fluorescent lamp in wet weather is so thin the lamp hardly feels damp. Still, it can connect the ends of the lamp and set up a miniature short circuit. It doesn't injure the lamp. Just steals enough current so the lamp is slow in lighting.

There's one fluorescent lamp, though, that doesn't get sluggish in moist air: the General Electric Rapid Start Lamp.

It has an invisible coating of General Electric silicone, called Dri-Film*. The photo shows what it does to water on the lamp. Makes it stand up in separate drops. In between are dry areas that break the electrical contact. The short circuit doesn't get started. The lamp does.

G-E Dri-Film* doesn't rub off. It's an example of why you expect the best value from G-E fluorescent lamps. For free booklet, "Facts About Rapid Start", write to General Electric, Dept. 166-US-3, Nela Park, Cleveland 12, Ohio.

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There's a growing air of calm and confidence noted at the top here.

Communists, in trouble at home, are down more to their real size.

U.S., with defenses about perfected, is supremely strong again.

This country from now on can afford to speak softly. The reason is that it carries a big stick, a stick so big that the Communists appear puny by comparison. That fact gradually will dawn upon the American people.

You hear talk of a sneak attack on the U.S. with H-bombs. Maybe so. But always bear this in mind: A sneak attack will have to hit, at almost the same moment, against American bases in all parts of the world or it will be the last attack that an enemy ever will make. A miscue at any point, and the resulting H-bomb attack from our side will be devastating.

When Marshal Zhukov looks up and thinks of war, what he sees is this:

American bases that ring his empire from land and from sea.

Bombers can come from Greenland, from Britain, from Europe.

More bombers can come from North Africa, from Turkey, from Saudi Arabia.

Still more can come from Alaska, Japan, Okinawa, the Philippines, Guam.

If he gets all those, there are bombers from aircraft carriers at sea and jet bombers based upon the sea itself--all to be worried about.

That isn't all. There are the giant jets based in U.S. itself.

On top of that, guided missiles, pilotless, traveling many times the speed of sound, are becoming operative, usable from all of these bases.

Zhukov must think of 10,000 A-bombs in the U.S. stockpile, a growing number of H-bombs, great numbers of other atomic missiles.

What it all means, in its end product, is simply this:

U.S. is not going to use its vast power to hurt anybody. The Soviet Union doesn't dare use its limited power to trigger a big war for the very practical reason that she cannot now, and cannot in the foreseeable future, counter American strength that lies in every quarter of the globe.

Result: The prospect of relative peace and stability.

Americans today enjoy security and can keep that security at a cost, on the military side, of around 35 billion dollars a year. That's a little more than $200 per person per year for a high-grade police job.

Britain's Churchill is the first official to begin to tell people the facts of life, to start deflating the bogey of Communist omnipotence.

Churchill's appraisal: Communist strength is overrated. U.S. strength is

(over)

Written for the issue of March 11, 1955, Volume XXXVIII—No. 10
U. S. NEWS & WORLD REPORT (No part of this or any other page may be reproduced without written permission)

underrated. American superiority in new weapons is overwhelming.

American officials seem to prefer to let people stay scared, misinformed.

What about Quemoy, though, and Matsu, and Formosa? War over them? It's doubtful. Even a little fight for U.S. is somewhat doubtful.

U.S. objective is to stabilize that area, to calm it down.

Quemoy and Matsu are not, in themselves, a U.S. responsibility.

Communists, if able to make these islands untenable by bombardment with artillery, or to take them by direct invasion, may not draw U.S. fire. But: If Communists throw in air power and, in attacking, strike at the big island of Formosa where Nationalist air power is based, they then can expect to be hit by the power of the U.S. Navy and Air Force. And: In being hit, there will be no assurance that Communist bases inland will be spared.

Chiang Kai-shek has the job of defending Quemoy and Matsu. If he can do it, O.K. If the Communists confine themselves to nibbling, and if they can win by nibbling tactics--then they may get the islands; not otherwise.

Formosa itself? U.S. is committed there and will fight.

A big war then? Hardly a chance. Little war? That's the most it might be even if Chinese Communists prove foolish. No war? That's most probable.

Communist China probably is the most overrated outfit in the world. It got a big reputation by fighting U.S. under ground rules that denied U.S. the right to win; that permitted the Communists to appear what they aren't.

Everything China has, except a few small arms, must come over long and slender supply lines from Russia and must be paid for. Communists cannot afford to risk their one-shot Air Force in a major fight with U.S.

Business outlook suggests a better first half than second half, 1955.

Autos, steel, building, TV, all are doing better than expected.

Demand, however, seems stimulated in part by strike threats and by the prospects of some price rises to follow prospective wage increases. Credit, too, is very easy to get, maybe easier than it will be later.

First half, 1955, as a result, is tending to boom.

Second half, almost surely, will level out or dip a little.

A good business year, however, is assured any way you look at it. The year as a whole probably will be the best, over all, in history.

Stock-market investigation isn't likely to upset things. Stocks, the investigators find, aren't now priced out of line with earnings, as a rule.

Stock speculation, though, is showing a few signs of excesses. Tipster activities, tip sheets, even chain letters are showing up, enticing lambs to get caught in some situations where they may be sheared a bit later.

It is beginning to be agreed that stock-market prices are approaching levels that can involve some dangers for uninformed investors.

Eisenhower popularity is near its high point on polls. Ike's stress on peace, his inclination to let well enough alone, to be friendly and not quick to anger appear to reflect the nation's mood at this time.

Ike obviously wants to be friendly and reasonable. It's hard to pick an argument or to arouse antagonisms against a man in that mood.

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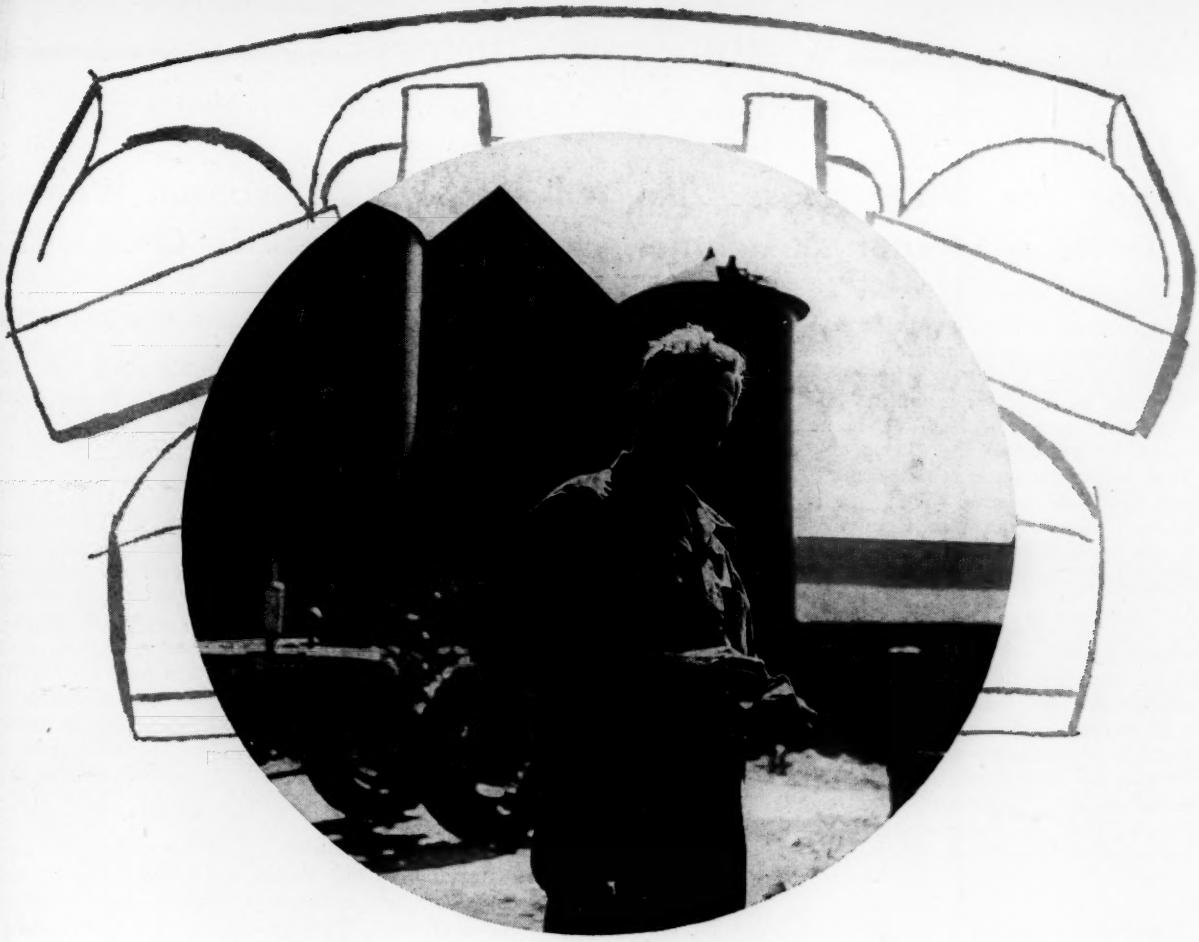
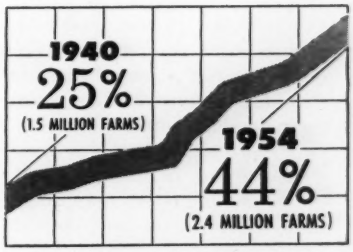


Boss of a growing business

Farms today are bigger, more mechanized—
and more dependent on telephone service!



U. S. FARMS WITH TELEPHONES
According to U. S. Dept. of Agriculture

The modern farmer knows what every businessman knows—the value of telephone service. That's why farms with telephones are up *59% and nearly a million in number* since 1940—and still climbing! Across the sweep of her rolling farmlands, America's 5,000 Independent Telephone Companies have furnished dependable rural service for generations. Now, moving ahead together...a single dynamic industry...these Independents are modernizing, improving, expanding their facilities wherever there is need. Helping customers and communities grow...by growing with them.

USITA

United States Independent Telephone Association

Pennsylvania Building : Washington, D. C.

Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

From the White House: "Ike Will Run" . . . Stevenson Wants To Be a Senator . . . Butler, Not Eden, to Replace Churchill?

An important White House aide says this: "Ike will run again. He has not said so, but I know he will. I remember when we talked with him in 1952. He wasn't a strong Republican, he wasn't interested in the Presidency. Then we stressed the angle of 'duty' and he came around. We'll do it again." Asked about Mrs. Eisenhower, he said: "She likes it here more and more. Don't worry about her."

★ ★ ★

Friends of Richard Nixon, Vice President, are very pleased that Ike favored San Francisco as the site for the 1956 Republican Convention. They feel that this assures choice of a Californian for second place on the Republican ticket and, with Nixon now holding that job, his renomination is regarded by them as nearly certain.

★ ★ ★

President Eisenhower is suggesting to some Cabinet officers that they get out of Washington more, to bump against the people and to keep a finger on the pulse of popular opinion.

★ ★ ★

Top officials in the Eisenhower Administration in some cases recently have received personal notes from the President asking that they plan to remain in office during the concluding two years of the first Eisenhower Administration. If there are to be big personnel changes, they appear unlikely before a second term.

★ ★ ★

For filling important job vacancies, the White House is trying out a plan of having a replacement selected before the vacancy is announced. The objective is to cut off pressure from individuals who may want the job. In one recent case there were 263 endorsements, many from politically potent individuals, urging a particular person for an opening.

Robert Cutler, special assistant to Mr. Eisenhower on all matters of national security, and one of the President's closest advisers, may leave soon for reasons of health. Mr. Cutler has intended to leave for almost a year but has been persuaded to stay on.

★ ★ ★

Adlai Stevenson's friends say that the 1952 Democratic candidate for the Presidency is really interested in seeking the Democratic nomination for Senator from Illinois in 1956. Stevenson, if nominated, then would run against Senator Everett Dirksen for Senator rather than against Eisenhower for President.

★ ★ ★

William Knowland, California Senator and Republican Floor Leader, is being treated with a friendly exchange of views at breakfasts he is having with the President. The White House feels that a meeting of minds on foreign-policy issues may be worked out in this way.

★ ★ ★

Sam Rayburn, Texas Democrat and Speaker of the House, never did regard with much favor the plan to give a $20-per-head cut in income tax. Speaker Rayburn went along because of a widespread feeling among House Democrats that this move would be popular politically.

★ ★ ★

High officers of the U.S. Navy say that this branch of the military services is not preparing an official history of the Pearl Harbor disaster. If retired naval officers are working on such a history, it is not an official project.

★ ★ ★

Sir Anthony Eden, Britain's Foreign Secretary and heir apparent to Sir Winston Churchill, is reported not to be in good health. R. A. Butler, Chancellor of the British Exchequer, is gradually emerging as the one likely to be the strong man of the British Conservatives, when and if Churchill steps out.

★ ★ ★

Sir Winston talked with full knowledge of U.S. officials when he revealed that the Soviet Union is far behind in the atomic-weapons race. It is beginning to be admitted that the Communists are quite good in copying models of new things they get from the West and in making use of any secrets they can steal, but they aren't so good in original development of wholly new products.

★ ★ ★

The statement out of Moscow signed by Bruno Pontecorvo, atomic scientist who defected to the Communists —telling how good a Communist he still is—was timed to try to offset growing evidence of Soviet weakness in the atomic field. By showing off an atomic scientist, the Communists sought to prove that they had a lot of late-model weapons.

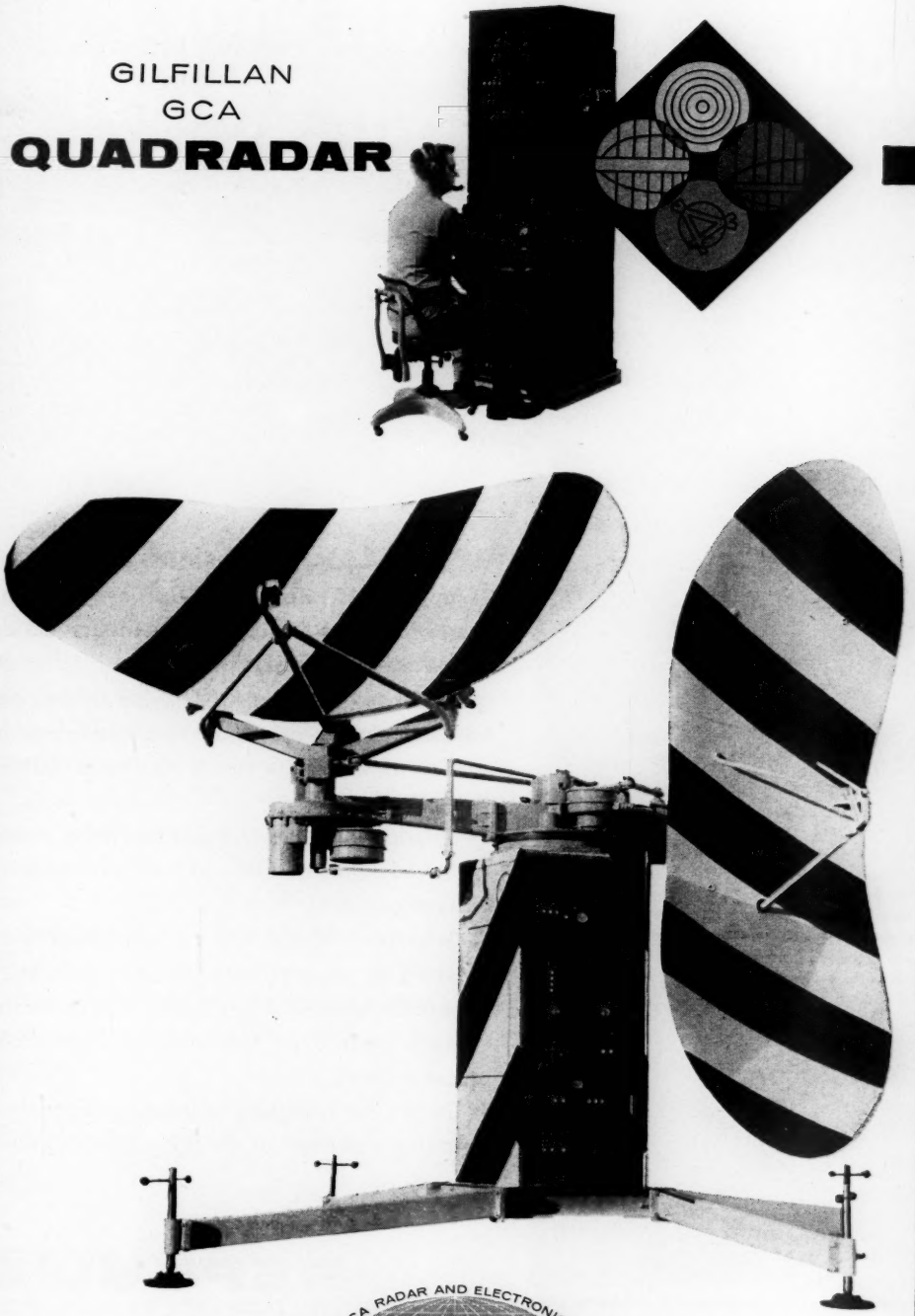
★ ★ ★

Nikita Khrushchev, the Soviet Union's new dictator, is trying to sell back to satellite countries in Western Europe a billion dollars' worth of shares in industry that the Communists grabbed for nothing when they took over those countries. After milking the industries, the Russians now insist that these satellites buy them back, paying in more goods.

★ ★ ★

Talks about release of U. S. civilians, held prisoner in Communist China, are being carried out in the Hotel Beau Rivage in Geneva, Switzerland —with the Communists showing signs of willingness to do business if ransom is high enough.

GILFILLAN
GCA
QUADRADAR



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provides:

remote control

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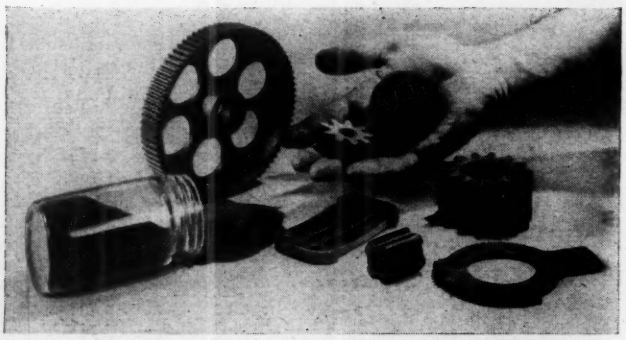
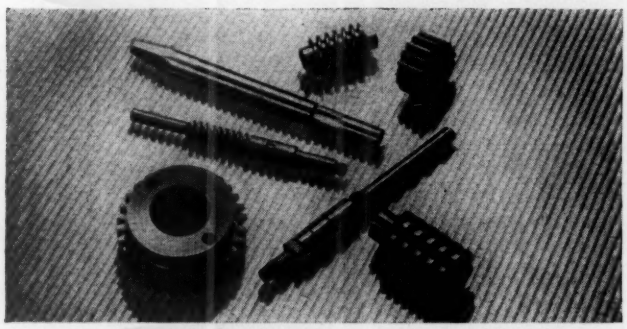
GCA RADAR AND ELECTRONICS
Gilfillan
AROUND THE WORLD

Minneapolis-Moline reduces costs 40% with Republic Cold Drawn Steels!



Here's a new Republic product for mass producing certain parts faster, more uniformly and at less cost—Republic Iron Powder. It is ideal for fabricating complicated shapes which are difficult to produce economically by other means. Republic metallurgists can help you determine iron powder's suitability to your parts. Or, they will suggest alternate methods or materials better suited to your operation.



When parts require high strength, fine surface, toughness, hardenability, close tolerance or accuracy of section, you get them all in Republic Cold Drawn Alloy Steels—plus UNIFORM MACHINABILITY. Your high-speed automatics can take full advantage of these cost-cutting qualities. Designers can make full use of the high strength and uniform structure produced by cold drawing. Production men get the ideal combination of wearability and strength from the uniform hardenability and toughness of alloy steel.

The power-takeoff shafts on the self-propelled Minneapolis-Moline Harvestor carry a heavy load. Requirements called for a minimum-yield strength of 100,000 p.s.i. It was necessary that these shafts consistently meet minimum requirements in order to eliminate or to minimize failure in service.

In addition, material that had to be stress-relieved, straightened and precision-ground was expensive.

Republic's Field Service Specialists were invited to work on this problem with Minneapolis-Moline Engineers. The solution was a switch to Republic C-1050 Cold Drawn Steel.

Now, the company is getting the proper physicals needed to do the job. And, costs

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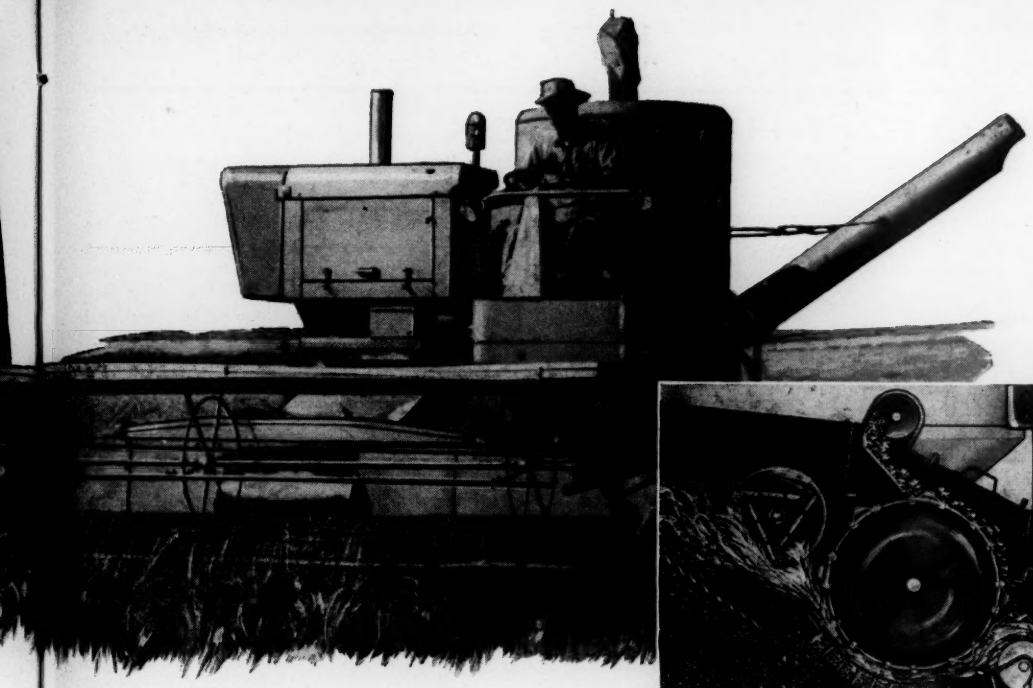
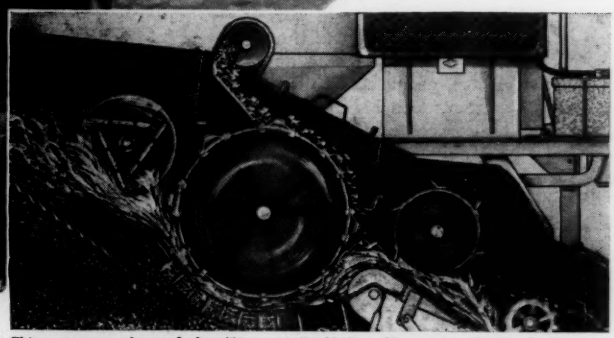
World's Widest Range of Standard



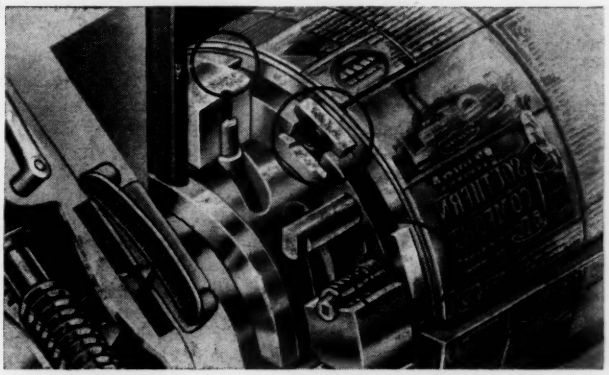


This cutaway view of the Minneapolis-Moline Harvestor shows the power-takeoff shafts made from Republic Cold Drawn Steel.

have been reduced approximately 35 to 40% since the switch to Republic C-1050 Cold Drawn. They buy the shafting in four-foot lengths. The only finishing operations necessary are: threading the ends, key-seating the shaft, and centerless grinding the bearing areas to close tolerances.

Naturally, not all cold finished steel requirements are the same. To make sure that you get the most out of the Republic Cold Drawn Steels you buy, Republic provides a full-time field service staffed by expert metallurgists and machining specialists. They will visit your plant, work with your staff on solving cost and production problems.

Call your nearby Republic sales office for the facts. Or mail the coupon.



Steel parts, like these printing-plate clip bars, are made at a great saving from Republic Special Sections. The bars are cold drawn to predominating cross section of the part. Cold drawing gives your steel parts higher strength, greater hardness and a bright smooth finish. Cutting to length and drilling are often the only operations necessary to finish the part. Sections can be produced in a wide variety of analyses with contour variation almost limitless.

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PEOPLE ★ ★ ★ ®

OF THE WEEK

› SIR WINSTON CHURCHILL offered the non-Communist world a formula for living in an era of "cold war" overshadowed by hydrogen bombs: ". . . There is time and hope if we combine patience and courage. . . . Meanwhile, never flinch, never weary, never despair."

This man who counsels hope and courage is past 80, serving a second time as British Prime Minister. He now appears hale for his age, yet he disclosed to the House of Commons that his illness in 1953 paralyzed him completely for a time. A glance at his adventuresome life shows paralysis is only one of many threats and dangers he has survived.

While still a schoolboy, young Winston tumbled 29 feet from a tree, was unconscious for three days. Five years later he was in battle, first against tribesmen on India's Northwest Frontier, next against the Sudanese natives at Omdurman. During the Boer War in 1899 he was captured, imprisoned for weeks, escaped. In London, 12 years later, he headed police forces as Home Secretary, appeared in person to direct bobbies in a gun battle with desperadoes.

During World War I, the future Prime Minister briefly commanded a battalion on the Western Front. Soon after the war, he crashed an airplane at Croydon airport, escaped unhurt. When he came to the U. S. to lecture in 1931, a New York taxi hit him, laid him up for two months.

In the blitz of London in World War II, Prime Minister Churchill alarmed his staff by refusing, sometimes, to go to a bomb shelter. Once, during the war, he was threatened with assassination. Twice he was severely ill with pneumonia. Repeatedly, he visited war fronts and flew to conferences. At 80, he still is a man who won't be downed.

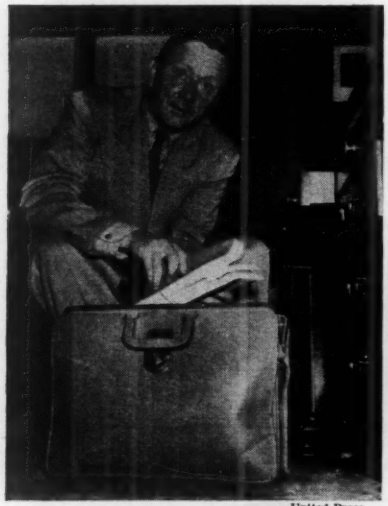
–United Press

SIR WINSTON CHURCHILL
After 80 years, a formula

› WILLIAM O. DOUGLAS, an Associate Justice of the U. S. Supreme Court who likes to spend his vacations in wild, faraway places, now plans to tour some of the wilder areas of the Soviet Union next summer. He has been hoping for more than five years to see what lies within its borders, finally has been promised a visa.

The tour that the restless Justice is planning will be a tough one. He intends to buy a car in Iran, ferry it across the Caspian Sea and drive about 2,500 miles through Southern Soviet provinces stretching from Turkey to China. His trek will take him through vast sand deserts populated only by nomadic bands and into mountains 20,000 feet high. Roads are few, and reportedly none too good. Out of the trip may come another book by Justice Douglas, who frequently writes of his strange travels. He has been to many out-of-the-way spots in Asia and the Far East. Six years ago, the Soviets accused him of spying—he had climbed a mountain in Iran that overlooked Soviet territory.

Mr. Douglas began hiking as a boy to strengthen legs weakened by polio, turned his exercises into a lifelong hobby. He likes companions on his trips. For the trek into Russia he plans to take Robert F. Kennedy, counsel for the Senate Government Operations Committee, and perhaps Mrs. Douglas. They will be crowded amid all the baggage and extra cans of gasoline that will be needed.



–United Press

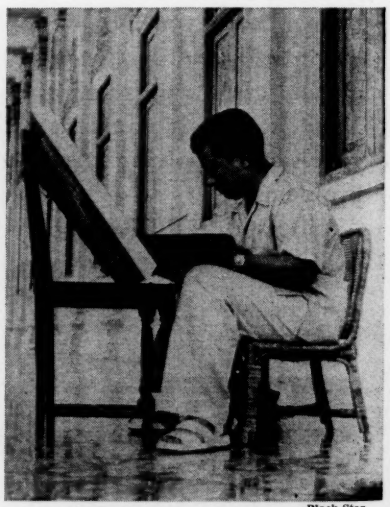
JUSTICE DOUGLAS
After 5 years, a visa

› THE KING OF CAMBODIA threw a shock into U. S. Secretary of State John Foster Dulles by abdicating his throne only three days after Mr. Dulles had conferred with him in the palace at Pnompenh, the Cambodian capital. The King, **Norodom Sihanouk,** is regarded as an emotional and stubborn man, and he often has made surprising moves before.

In 1953 he went into what he called "voluntary exile" for several months in an outlying town to force France to grant full independence to Cambodia. Several times previously during his 14-year reign, the youthful King went off to "meditate," turned rule over to his father as a regent.

Internal politics is what caused trouble this time. Two years ago, the former monarch sponsored parliamentary elections. A party led by Son Ngoc Thanh, puppet Premier during wartime Japanese occupation, won a majority. Norodom Sihanouk dissolved the assembly, began to rule by decree. New elections are scheduled for June. The ex-King wants to keep his opponent's followers off the ballot but believes he is being frustrated

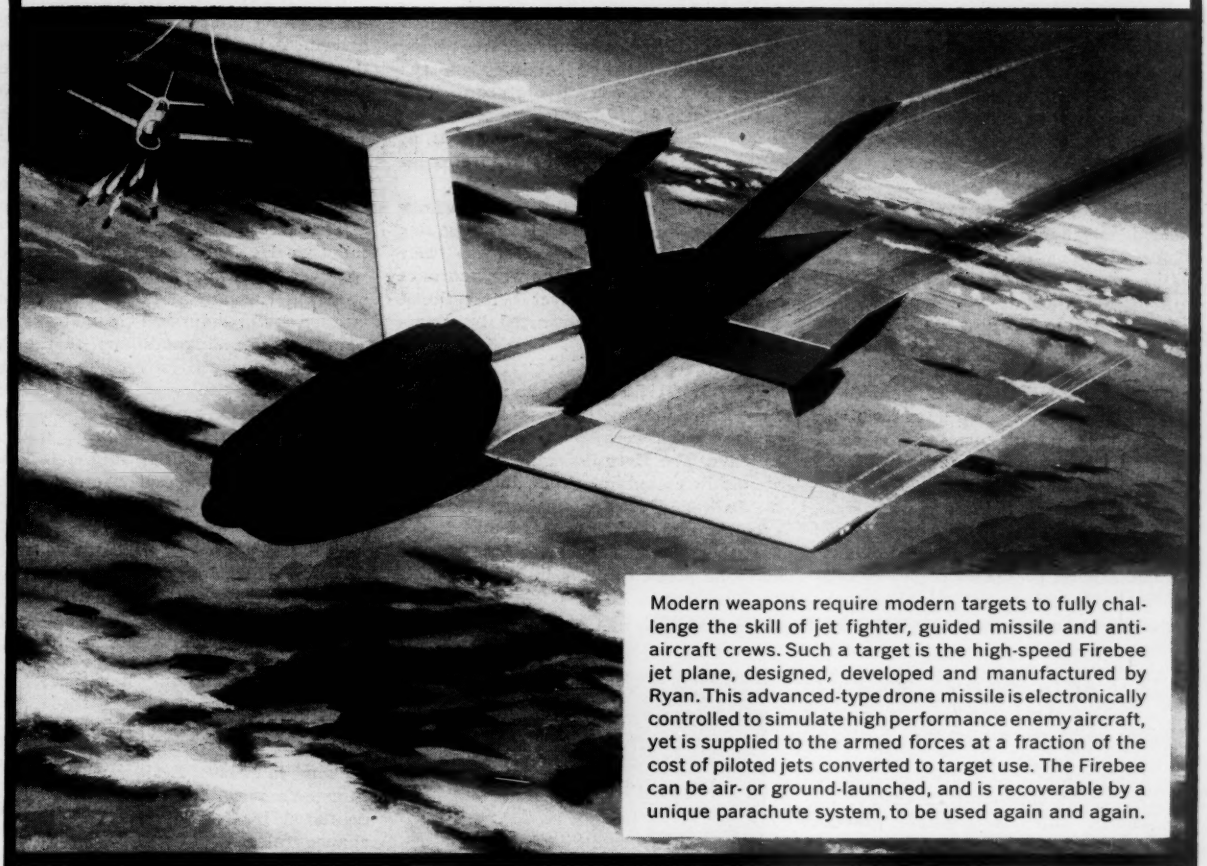
(Continued on page 18)



–Black Star

NORODOM SIHANOUK
After 14 years, abdication

FIREBEE...TARGET FOR TODAY



Modern weapons require modern targets to fully challenge the skill of jet fighter, guided missile and anti-aircraft crews. Such a target is the high-speed Firebee jet plane, designed, developed and manufactured by Ryan. This advanced-type drone missile is electronically controlled to simulate high performance enemy aircraft, yet is supplied to the armed forces at a fraction of the cost of piloted jets converted to target use. The Firebee can be air- or ground-launched, and is recoverable by a unique parachute system, to be used again and again.

Another Example of How

RYAN BUILDS BETTER

Already a seven league stride ahead of other target planes and towed targets, the Firebee drone missile has a large growth factor for future development. Its development demanded special ingenuity and the most advanced scientific knowledge. This achievement is just one of a long list of solid contributions in the company's 32 years of consistent growth in building the planes and aeronautical products which have helped develop America's air power.

Specialized, yet versatile, Ryan is uniquely equipped for today's difficult research, engineering and production tasks. It excels in the ability to create and produce complex, high quality products at low cost—and deliver them on time.

Engineers looking for a challenging future will find outstanding opportunities at Ryan.

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METALLURGICAL ENGINEERING	WEAPONS SYSTEMS		ROCKET MOTORS & RAM JETS	AIRCRAFT EXHAUST & DUCTING SYSTEMS

by an international commission supervising the truce in Indo-China.

Chances are that Norodom Sihanouk, only 32, will return to his throne one of these days. His father took over as King, but the son can be restored by a royal council dominated by his family.

RUSSIA'S EXPERT on world trade and domestic merchandising rebounded quickly into high position in the shifting upper levels of the Kremlin hierarchy. **Anastas I. Mikoyan** was bounced late in January from his post as Minister of Domestic Trade. Last week he was named as a First Deputy Premier, a rank just below Premier Nikolai A. Bulganin.

The job changes also advanced two Soviet industrial planners to the same rank. Best guess on the reasons behind the changes may be this:

A new Five-Year Plan is due soon, must be drawn up in advance. Broad outlines—emphasis on heavy industry, de-emphasis on providing plenty of consumer goods—already have been laid down by the Communist Party boss, Nikita S. Khrushchev. Mikoyan and the others have been given the job of spelling out the details. Mikoyan's task will be to spread available consumer goods as far as possible, try to prevent popular discontent over shortages.

Mikoyan's name stands for Russians' hopes for more food and clothing. He toured the U. S. in the 1930s, has twice since then—once before the war and once since—promised to deliver better times. So far he has been thwarted by arms-building programs.

A CATHOLIC PRIEST who ministers to Americans in Moscow was ordered out of Russia last week, given only four days to leave. The Kremlin made no immediate public complaint about any activities of **Father Georges Bissonnette**—just expelled him.

Father Bissonnette was the fourth Catholic priest to serve in Moscow since the Soviet Union promised, in the 1933 agreement in which the U. S. recognized the Soviet Government, to respect Americans' religious rights. He was well liked by Americans and members of other Western embassies. Even Communist Leader Khrushchev was heard to remark at a Yugoslav Embassy reception last November that the priest was a fine man.

The priest has been in Russia 25 months. He had undertaken his post with enthusiasm, prepared for it by studying Russian history, language and culture at Fordham and Georgetown universities. The Augustinians of the Assumption, the religious order to which he belongs, had planned to send a regular replacement for him later this year.

U. S. diplomats could think of only one reason for expelling him—retaliation because the U. S. recently refused to extend the visa of Metropolitan Boris, who had been allowed to spend 60 days in this country as a representative of the Russian Orthodox Church.

NOW—AND '29: STOCK-EXCHANGE PRESIDENT TESTIFIES

G. KEITH FUNSTON, president of the New York Stock Exchange, is a key figure in the first Senate inquiry since the 1930s into workings of the stock market. As president, it is Mr. Funston's chief duty to enforce Exchange rules to regulate practices both by companies that have stocks listed on the Big Board and by brokers who buy and sell stocks.

Invited as the first witness before the Senate Banking and Currency Committee, headed by Senator J. William Fulbright (Dem.), of Arkansas, Mr. Funston sought to answer a tough question: Is the market booming toward another bust like the one in 1929?

Mr. Funston, noting that indexes of stock prices are higher than in

MR. FUNSTON

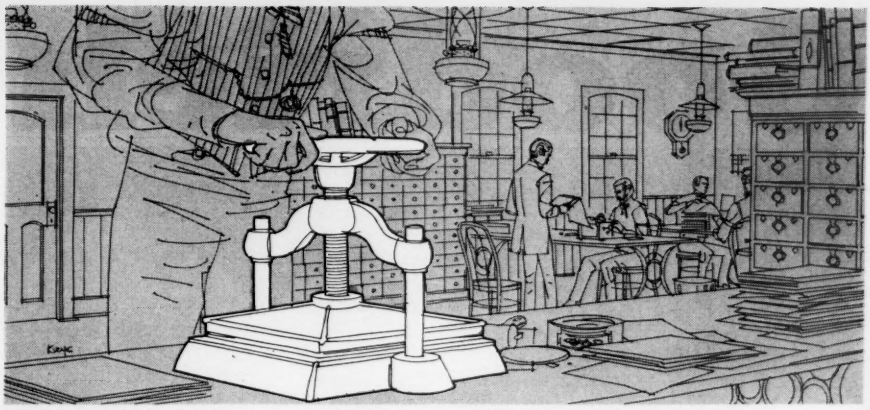
1929, said there are vast differences in the market then and now. Because of inflation, he said, stock prices will have to go 50 per cent above 1929 levels to equal that boom. Trading is lower; volume is only half that of 1929; the value of shares traded, when compared with national income, is only one eighteenth what it was in 1929. Besides, in Mr. Funston's view, the market is well regulated by federal law and Exchange rules.

Son of a small businessman in Iowa, Mr. Funston worked his way through Trinity College at Hartford, Conn., and the Harvard Graduate School of Business Administration. After serving both the War Production Board and the Navy in World War II, he became president of Trinity College and director of seven corporations. He was elected president of the Exchange in 1951, is only 44, is paid a salary of $100,000 a year.

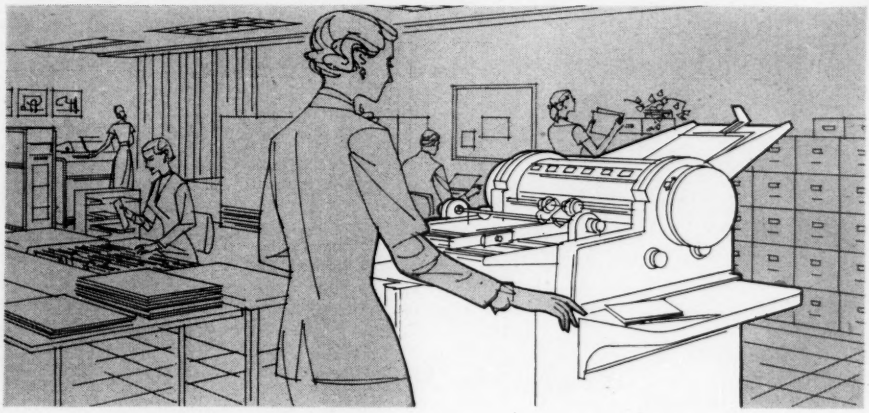
FROM THE FLOOR OF THE EXCHANGE . . .

—USN&WR Photo

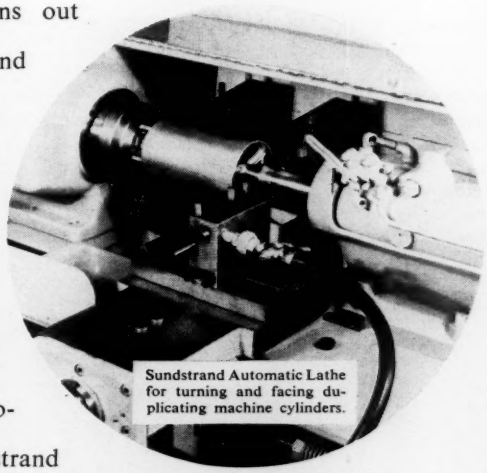
. . . TO A SENATE COMMITTEE HEARING



Copies were costly



The faithful old clerk of the 90's was steady as a clock, but time was against him. It took him "overnight" to make a single copy of a letter in a hand press. That, of course, was long before the advent of modern duplicating machines. Today's mechanized office turns out hundreds of copies swiftly and economically—typed, written, drawn, or printed. Over the years, Sundstrand has been privileged to work with the makers of business machines as a supplier of machine tools, helping to bring costs *down*, production *up*, by means of Sundstrand equipment and technical know-how. The business machine industry is one of many taking advantage of Sundstrand's "Engineered Production" Service.* Perhaps Sundstrand is a name to remember in *your* business, too.



Sundstrand Automatic Lathe for turning and facing duplicating machine cylinders.

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AVIATION DIVISION—Constant Speed Hydraulic Drives, "Rota-Roll" Pumps.

FUEL UNIT DIVISION—Pumps used by the nation's leading oil burner manufacturers.

INDUSTRIAL DIVISION—Hydraulic Transmissions, Pumps, Control Valves, Fluid Motors.

PNEUMATIC DIVISION—Air Sanders for Automotive, Woodworking, Metalworking and Plastics Industries.

FOUNDRY DIVISION — Gray Iron Castings for Sundstrand and other manufacturers.

MAGNETIC PRODUCTS DIVISION — Tool Room and Production Chucks, Magnetic Fixtures, Lifting Magnets, Chip and Coolant Separators.

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B.F.Goodrich

Traction Express record: 103,000 miles to date, still going strong!

"WE use B. F. Goodrich Traction Express tires on units hauling gasoline and oil with a gross load of 29 tons. The truck runs 60 hours a week, and the tires have already gone 103,000 miles. We never got more than 40,000 to 50,000 miles from other tires."

So writes B. J. Forbes (standing left above), President of Forbes Transfer Co., Wilson, N. C., whose 45 units also haul tobacco. Reports like this from users all over the country have given the Traction Express the name, "the 100,000-mile truck tire".

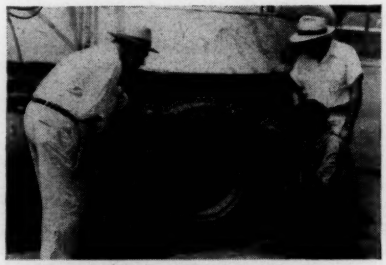
All-Nylon Construction

B. F. Goodrich builds the Traction Express with an *all-nylon* cord body. Nylon is stronger than ordinary cord materials, can withstand double the impact, resist heat blowouts and flex breaks. The *all-nylon* Traction Express body outwears even the extra-thick tread—up to 46% thicker than that of a regular tire—and can still be recapped over and over!

The Traction Express tread is compressed. The tire is molded with the beads close together. When mounted, air pressure spreads the beads to full rim width. The sidewalls act as levers, compressing the tread for greater abrasion resistance and added mileage.

See the money-saving *all-nylon* Traction Express today (rayon construction at lower prices). Your B. F. Goodrich retailer is listed under Tires in the Yellow Pages of the phone book. Or write: *The B. F. Goodrich Co., Tire & Equipment Div., Akron 18, Ohio.*

FORBES TRUCKS carry gasoline and oil throughout the Southeast, have never been held up by a Traction Express tire failure.



TRACTION EXPRESS cleats defy slippage. Patented BFG nylon shock shield gives more original mileage, more recappable tires.

Specify B. F. Goodrich tires when ordering new trucks

RESEARCH KEEPS
B.F.Goodrich
FIRST IN RUBBER

GUIDED MISSILES GIVE U.S. BIG ARMS LEAD

New Weapons Designed to Hit Targets Thousands of Miles Away

A fantastic new U. S. missile, now revealed, is to be able to fly an H-bomb 5,000 miles nonstop to Russia, strike within 10 miles of the center of any target.

This guided missile, the Atlas, becomes the center of much speculation as a new basic weapon, able to change war's strategy.

Here, finally, is the real story of this and other new U. S. missiles, as told in essential detail and without embellishment by a panel of top missile experts.

You get the latest factual data on just what the new weapons can do and how they work, as given in a background "briefing" by these highly qualified experts. Their answers are paraphrased in what follows.

Can the United States now build a guided missile that can fly nonstop to Russia?

A long-range missile of that kind, carrying an H-bomb warhead, is within sight. Two varieties are being developed, both with a theoretical range of 5,000 miles. One will be fired through the atmosphere like an artillery shell. The other will resemble an extra-fast, pilotless jet plane.

How fast will these missiles be able to fly?

Speed of the "ballistic" type of missile, resembling the artillery shell, will be in excess of 8,100 miles an hour, or 12 to 13 times the speed of sound. That one will be powered by big rockets. The jet-propelled type may fly at only two or three times the speed of sound, perhaps 1,500 to 2,000 miles an hour.

Just how accurate will they be?

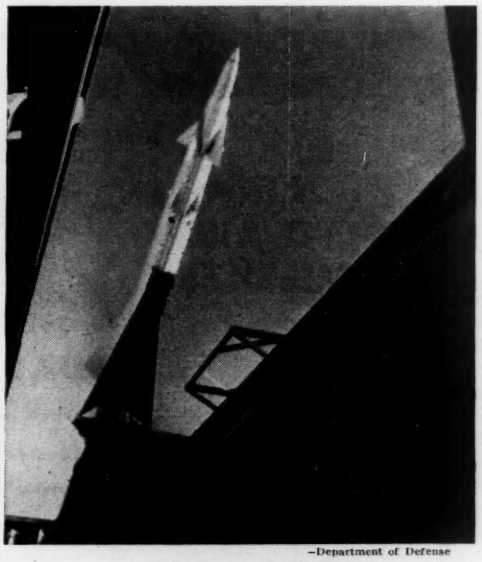
Designers of the long-range missiles are aiming at accuracy to within two tenths of 1 per cent. For a missile traveling 5,000 miles, that means hitting within 10 miles of the center of the target. For a missile traveling 1,000 miles, it means striking within 2 miles of the center.

Is there any way for Russians to intercept these U. S. missiles?

Not that we know of right now. No antiaircraft missile or any other weapon in existence at this time is able to knock down anything traveling at those speeds, as far as U. S. scientists are aware.

Will the coming missiles thus be able to deliver H-bombs with a great degree of certainty?

That is indicated, yes.



—Department of Defense

THE ARMY'S NIKE
. . . can destroy enemy planes

How will they be guided?

Guidance data will be fed into the missile before take-off. Each missile then will, in theory, travel on a predetermined course—in a set direction, for a set distance—then explode. There will be no radar beam to "ride" or electronic guidance from the ground.

Can the missile "correct" its course while in flight?

The slower, jet-propelled type of missile will be able to check its course from time to time by the stars, then "correct" for any error in direction. This stellar, or celestial, system requires co-operation of both the stars and clouds. In general, the co-operation is pretty good, and this kind of guidance is considered to be quite reliable.

The direction of the stars is fixed in space. Therefore a major drawback of the gyrocompass—device that controls the missile's direction—can be overcome by taking automatic readings of the stars' positions. "Gyros" have a habit of drifting off their original settings after a specific lapse of time and thus upsetting the preset guidance directions in the missile. A reading of star sights can correct this and bring the guidance mechanism back on course.

Is the slower, jet-propelled type of missile more accurate, then?

Presumably, yes. It will have a

means of correcting for error, which the faster, rocket type cannot have.

Can't the faster type somehow correct its course, too?

Not very well. This rocket missile must be fired high up into the atmosphere to get any distance. And as you get up into space, you lose all means of control, because the control surfaces have no air to push against.

While the missile is still under its own propulsion, you can put vanes into the exhaust to give some directional control. But, usually, when it gets up into high altitude it doesn't have any propulsion left. Ballistic missiles that go out of the atmosphere have to be on their proper course before you lose control of them. That means either before they leave the atmosphere or before propulsion systems are exhausted.

Will the "celestial" system of guidance work on a cloudy night?

It will not work through clouds, no. The missile must be able to steer itself at least part of the time without checking on the stars, independently. Then, when there is a break in the clouds, the system provides a check and can correct any deviations in the set course.

Are present maps accurate enough to use?

That is one major source of error that bothers the engineers considerably. For real accuracy, it is important to know the exact location of, say, Russia's newly built factory cities, in order to determine the direction and distance from the launching site. You can't be sure just how accurate our maps of Russia are.

What other outside factors affect accuracy of these missiles?

We're finding several. For instance, while you might assume that the pull of gravity is constant at constant altitudes over the surface of the earth, actually it is found that it is not, and this affects accuracy of the flight. Then you have, of course, air currents and a lot of things like that. Real accuracy depends on finding solutions to all of these problems.

Can atomic power be used to propel these long-range missiles?

Well, nuclear power is a possibility for missiles. But we lose a missile, ordinarily, when we send it on one flight. And this nuclear power plant isn't something, in most cases, that you want to commit to one flight. So just on the face of it, atomic power is not very attractive for missiles if you can do the same job by cheaper systems.

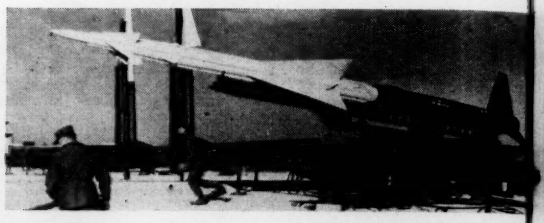
Will big, intercontinental ballistic missiles have rockets that can be dropped when used up?

We can say this much: Usually, the problem of long-range flight can be solved more easily by more than one

(Continued on page 24)

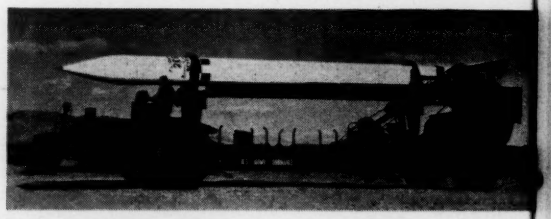
A LOOK AT THE

SURFACE-TO-AIR MISSILES



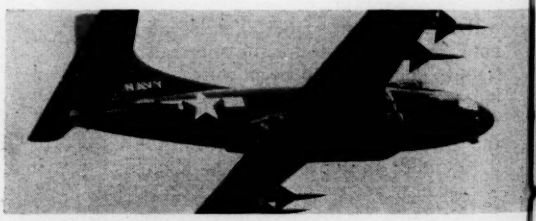
NIKE seeks out approaching enemy aircraft by radar long before the aircraft can reach target city. Launching sites now being installed around major U.S. cities, with missiles in "quantity production" at this time.

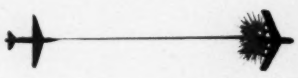
SURFACE-TO-SURFACE MISSILES



CORPORAL can deliver atomic warhead against a "tactical" target at distances greater than artillery can reach. Guided electronically, is highly accurate. Already in the hands of troops.

AIR-TO-AIR MISSILES



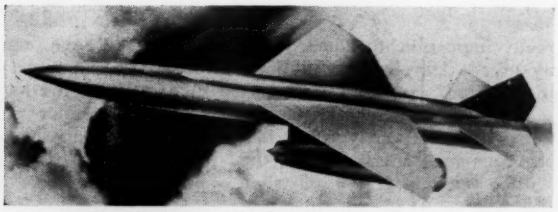


SPARROW for use by naval and Marine aircraft against high-speed enemy planes. Now in production under Navy contract, Sparrow can be aimed and fired automatically. Propelled at supersonic speeds.

Photos: Defense Department, United Aircraft Corp., and Sperry Gyroscope Co.

NEW U.S. MISSILES—

TERRIER antiaircraft missile, designed to be launched by ships at sea. Already tested, now being installed aboard two Navy cruisers to help defend the fleet from air attack. Also being adapted to use on land by Marines.



BOMARC interceptor missile, with much longer range than Nike or Terrier, for defending big areas from air attack. Under development by the Air Force, not yet as far along as smaller antiaircraft missiles.

REGULUS can be used from submarines or cruisers against distant shore targets or ships at sea. Has folding wings, resembling a carrier airplane. Is guided automatically. Designed to be fired from a moving base.

MATADOR medium-range pilotless bomber, launched by booster charge and flown by jet motor. Developed by the Air Force, Matador is now in operational use. Designed to use atomic warhead.

FALCON being developed by the Air Force for use by land-based jets against enemy planes. Missiles are "approaching operational use." Will have extremely high speed and electronic aiming device.

ICBM

Intercontinental ballistic missile, still being developed for long-range use from launching sites in this country. H-bomb warhead may be used. Guidance system to be supplemented by automatic celestial navigation.

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"stage"—that is, by using up one set of rockets, dropping the container, then using another set. That's partly because you start out with a big, heavy stage and then you discard a lot of weight and the next stage has to accelerate a much smaller mass.

Is it really impossible to knock down an enemy missile traveling at 12 times the speed of sound?

No, it is not theoretically impossible to counter such a missile. If you ask, is it hard to counter such a fast missile, the answer will be yes, and, if you ask when we will be able to counter it, that gets to be a tough question, too. But it can be done in theory and thus will be done eventually.

Does the U. S. now have other types of missiles in production?

Yes, there are several—big ones that are launched from the ground like the Nike, and smaller missiles that can be aimed and fired automatically from a jet aircraft to knock down another jet.

How are these missiles guided?

There are three basic guidance systems now developed and in use. All are accurate and practical. They are the "beam rider," the "homing" and the "command" systems.

Which system is most widely used?

The "beam rider" is the simplest, best known and most widely used system. Suppose we have a radar here that is tracking an enemy bomber. As it tracks the target, we launch a missile into the radar beam from a launcher site nearby. The missile then proceeds to fly up the center of the beam which, of course, moves along as the target likewise moves along. This carries the missile directly to the enemy bomber, which it destroys.

How about the "homing" system of guidance—how does that work?

In this case, the information on the target's position goes directly from the target to the missile. A "missile homer" device senses changes in the direction of arrival of signals from the target and steers the missile accordingly. There is no ground-based radar beam involved.

There are three types of homing systems—passive, semiactive and active. The first of these relies on receiving some type of disturbance signal emitted from the target. The most obvious of these is the radiation of heat put out by the target, with instruments in the missile detecting the generally higher temperature of an enemy bomber compared to its background.

If we don't want to rely on the target completely for the information as to where it is, we can illuminate it with a source of energy that we direct at the target when we have found where it is. This is called semiactive homing.

In active homing, we go all the way and put the illuminator in the missile itself. Each of these systems has its own advantages, which may make it better for a specific operational purpose.

What about the third basic type of guidance, the "command" system?

This one involves use of two radar beams. We have one beam tracking the target. As the target moves along, that radar tells us the location of the target at any particular point. We launch a missile, and another radar beam tracks the missile and thus gives us information on the position of the missile at all times.

If we know the position of the target at any time, and the position of the missile at the identical time, we can sit on the ground or in a plane and compute the necessary course for the missile to take to intercept the target.

Are the new antiaircraft missiles really able to knock down jet planes?

Yes, definitely. The Nike, for instance, is a weapon designed to be deployed around an area to be defended, and to have the range, the maneuverability and the "altitudeability" to destroy enemy planes that attempt to attack that strategic area. And it does have those abilities.

What kind of engines have you come up with for U. S. missiles?

There are several. For example:

"Solid-propellant rocket engines" are used chiefly for small missiles, and for missile boosters such as are used in launching the Nike. They give high thrusts for very short periods of time.

"Liquid-propellant rockets" carry their fuel and oxidizer in liquid form and are suitable for all types of missiles. Nike's sustaining motor is of this type.

Among the jets—"pulse-jet" is the engine that was used to power the German V-1 and is used for target drones in this country. It is basically subsonic. The "turbojet" is the most common jet engine in use today; it powers most of our high-performance aircraft and some of the medium-to-long-range missiles. The "ramjet" is a most promising power plant for certain kinds of missile usage, in supersonic speeds.

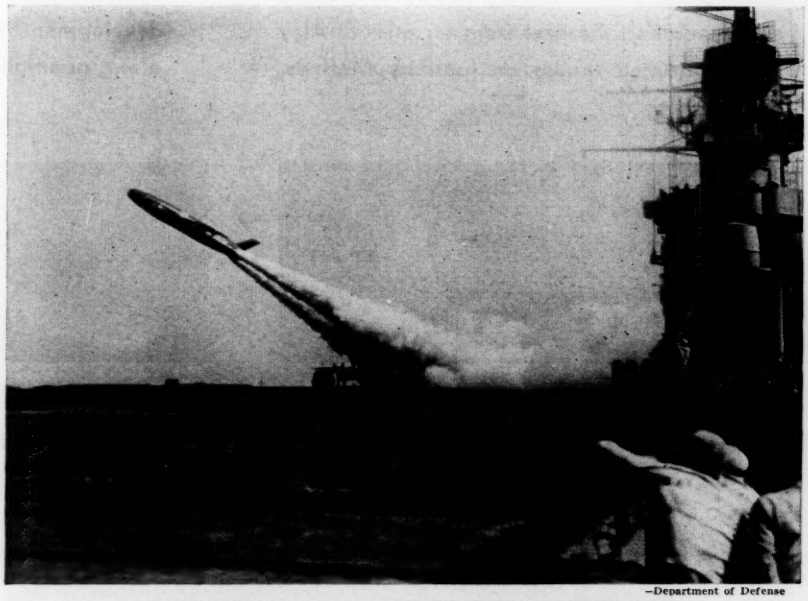
Is it true that some people have dragged their heels in developing missiles?

We feel sure there was no dragging of the heels. There has been no keeping of imaginative people, scientists and the like, from using their imaginations. There was a curb on the program. If you let everybody have his guided-missile project, why, we would have had a really shocking number. We believe the number that we now have is pretty well tailored to the situation. It ought to be. It has been combed over by experts.

Then is missile warfare finally becoming feasible now?

Yes, we are today at a pay-off stage with regard to a whole series of U. S. guided missiles. They are developed, tested, and in production. Others are coming along close behind.

What Eisenhower and Churchill said about U. S. arms lead—pages 74-78.



—Department of Defense

NAVY'S REGULUS IS LAUNCHED FROM CARRIER DECK

. . . for use against distant shore targets or ships at sea

IS INFLATION ON ITS WAY BACK?

Few Signs of It—Lots of Goods, More Prices Down Than Up

What lies ahead for the U. S. dollar?

Is it going to lose more purchasing power because of rising wages, rising prices?

That's what happens when inflation takes hold—and talk about inflation is reviving.

Inflation, in fact, already is threatening in Britain and most other European countries.

But the situation is different in the U. S.

This country has lots of unused capacity to produce more goods, if people want them.

Supply and capacity are bigger than demand for almost all things people use.

There's not much chance of inflation when buyers are able to call the tune.

Talk of inflation again is in the air. Inflation of wage rates is about to take a new turn. Stock-market values are more inflated than they were only a few months ago. Tax cuts are being urged that might inflate the Government's deficit.

All through Western Europe, too, signs of inflation are developing. Demand for goods in Britain, in Germany, in France and other countries is tending to run ahead of supply. Great Britain is moving to impose controls on inflation.

The inflation threat in the United States, however, is found on closer examination to have little foundation at the present time.

People think of inflation as a period of rising prices. It is viewed as a time when the dollar is losing purchasing power. Inflation of this type comes when demand for goods runs ahead of the supply of goods, when people are rushing to turn money into goods. This kind of situation in the United States is associated with war periods.

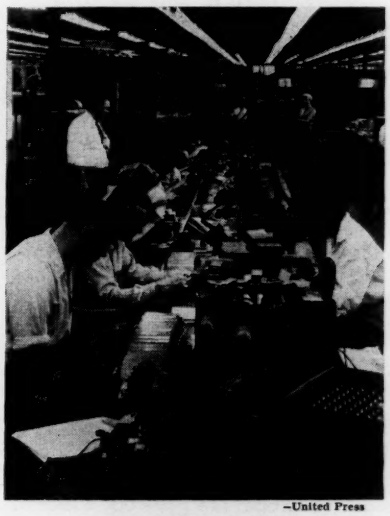
Dollar stays stable. Right now the dollar is stable in value. If anything, the dollar buys a trifle more today than it did a year ago, almost as much as two years ago. Actually, when measured by prices to consumers, the dollar has been fairly stable in value since 1951.

The reason for this can be understood in part by a glance at the chart on pages 26 and 27. There you can see how much more could be produced to meet public demands than actually is being produced. Large unused capacities are indicated in almost all lines of industry and agriculture.

Workers, too, are in surplus. Latest reports show 3.3 million individuals classed officially as seeking work and unable to find work. Still others could be drawn into the labor force. There also are thousands of workers who are not working full time.

What all this means is that there are few, if any, shortages, or threats of shortages, that might cause people to start a rush for goods that could send prices higher. Actually, surpluses in many fields are putting a downward pressure on prices.

Supplies outstrip demand. Food is superabundant. Farmers are getting the lowest prices for hogs in almost five years. Cattle prices are down from their peaks. Milk and other dairy products are in surplus. Fruits and vegetables and other foods offer no problem of supply at all. Actually, hard times prevail in some farming areas.



—United Press

PRODUCTION LINE
Output could be increased

The Government had on hand, at the beginning of the year, 7.2 billion dollars' worth of farm products that is being held off the market in order to support prices. Most of this is in wheat, corn and cotton, but holdings also include butter, dried milk and various other foods. An inflation of food prices seems to be out of the question at this time.

Supplies also are depressing prices in a good many other fields.

Automobile production and sales are running close to record levels just now, but dealers have to attract customers with price concessions. The practice of offering high prices on turned-in cars, or sharp cuts for cash sales, is widespread. Dealers with factory franchises are complaining of competition from so-called "bootlegging," which means new cars sold at cut rates by used-car dealers.

The rise of the discount house in selling home appliances of all kinds is another sign that price inflation is no threat. Retailers themselves are moving to meet this competition by offering substantial discounts on radio and television sets, refrigerators, vacuum cleaners and practically all kinds of household equipment.

The volume of business is high and rising, but no signs have developed yet that this demand is leading to inflation.

American industry, in fact, is able to turn out a much greater volume of goods than now is being produced. This capacity to produce is acting as a powerful brake on any tendency toward inflation.

The automobile industry, for instance,

is able to produce about 9 million cars a year and is actually producing cars at close to this rate now. But not even the most optimistic auto producer expects many more than 6.6 million cars to be made this year. In other words, the industry will count itself lucky if it operates at close to three fourths of capacity for the year as a whole.

Steel: under capacity. The demand for steel has jumped sharply in recent months, but, even so, the steel industry so far this year has never operated much above 90 per cent of capacity. Estimates are that some 107.4 million tons of steel ingots will be made this year, against a capacity of 125.8 million tons. That leaves quite a margin of unused capacity.

When it comes to producing household equipment, no industry is shown by official figures to be operating anywhere near capacity. Manufacturers of furniture and equipment for home laundries are coming closest, but even these industries have plenty of leeway to expand output. Most producers of television and radio sets, refrigerators, cooking stoves and other appliances could increase output by 25 to more than 50 per cent if demand for that volume developed.

The same situation prevails in most of the soft-goods industries. The textile industry has staged a recovery in production, but even now is not approaching capacity. Cotton mills are expected to use about 9 million bales this year, when they could consume 13.5 million bales in manufacturing cloth. Woolen and worsted mills have the capacity to boost output by about 70 per cent.

American industry, in other words, has a lot of slack that can be taken up before inflation again becomes a threat. That contrasts with the immediate postwar years, when demand for most things exceeded supply, and with the Korean-war period, when controls had to be clamped on important raw materials.

Some inflation signs. Inflation, however, is evident in some areas of activity.

Wages have been creeping higher year after year since 1946, and are to continue to go higher this year. The average factory worker got about $1.09 an hour in 1946. Now he receives $1.84. The average weekly wage slipped a bit from December to January, because of a shortened work week, but it is believed to have recovered now. The average is around $74 a week, compared with $43.82 a week back in 1946.

An upward trend in wages has a tendency to increase costs and eventually to show up in increased prices for goods—the usual result of inflation. An offsetting tendency, however, is for managements to improve efficiency so as to reduce the over-all cost of production. That apparently is being done now, since factory output is running ahead of a year ago with fewer factory employes at work than a year ago. Also, when supplies are large, higher costs cannot easily be passed on to customers because of competition. In that case, profit margins are squeezed.

In any event, rising wage costs over the past few years seem to have been absorbed either in lower profit margins, or by increased efficiency, since retail prices in general have not moved higher.

The stock market also may be showing signs of inflation. Average prices of common stocks have increased sharply and now are at an all-time high. This was the kind of inflation that led to the boom and bust of the late 1920s. It has gone far enough already to draw an official inquiry from the U. S. Senate.

However, nearly all responsible appraisers of stock-market trends are telling Senators that the present situation is not out of hand. Opinion is nearly unanimous that differences between the stock market today and the market in 1929 are far greater than similarities. One of the major points is that speculation in the present market is a long way from the fever stage, and it is speculative fever, rather than rising prices, that usually marks inflation in stocks.

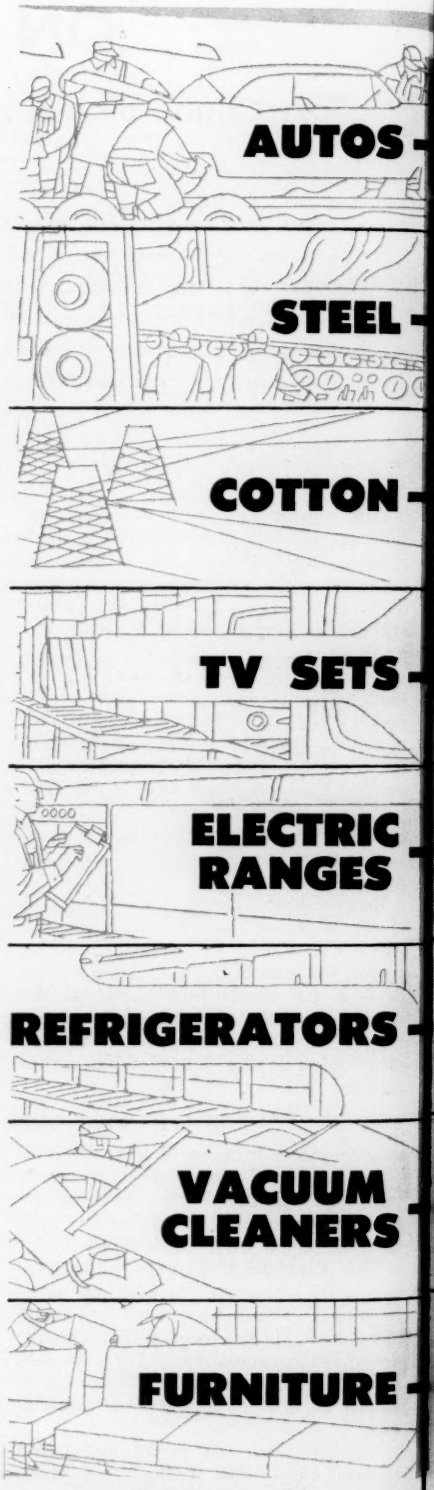
Another sign of inflation is found in real estate. Real estate prices are far higher now than before World War II. The building boom, furthermore, is continuing, and money spent for new construction this year is expected to reach another record high.

Real estate deflation? Other developments in the real estate market suggest that the inflation in this field is largely passed. The price of new houses is reported to be stable, or even down a bit. Prices of old houses are slipping in a great many communities. The inflation of rents appears to have ended. In some places, concessions that amount to rent reduction are offered by landlords.

In real estate, the main concern at the moment is the threat of deflation rather than inflation. New housing units are being erected faster than new households are being formed, and many appraisers are wondering how long the housing boom can go on.

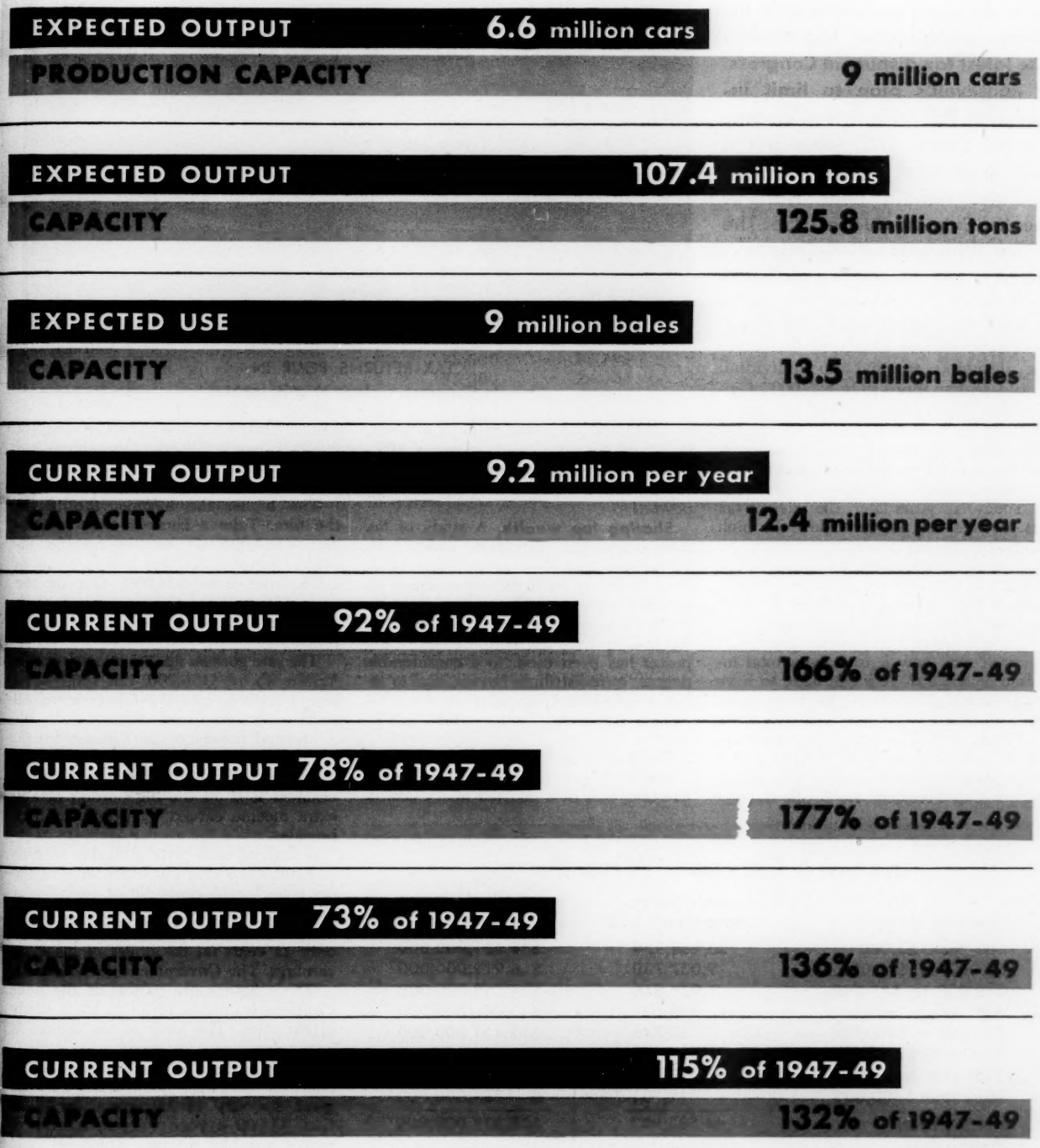
The return of inflation, thus, is being discounted by most business analysts. The business situation today reflects, on the whole, a recovery from a mild recession but few signs of any inflationary splurge in the period just ahead.

For a report on the current rush for goods in Europe, see page 35. Views of experts on condition of the U. S. stock market start on page 116.



A BRAKE ON INFLATION

Ability to Produce Goods Far Exceeds Present Demands


EXPECTED OUTPUT 6.6 million cars
PRODUCTION CAPACITY 9 million cars
EXPECTED OUTPUT 107.4 million tons
CAPACITY 125.8 million tons
EXPECTED USE 9 million bales
CAPACITY 13.5 million bales
CURRENT OUTPUT 9.2 million per year
CAPACITY 12.4 million per year
CURRENT OUTPUT 92% of 1947-49
CAPACITY 166% of 1947-49
CURRENT OUTPUT 78% of 1947-49
CAPACITY 177% of 1947-49
CURRENT OUTPUT 73% of 1947-49
CAPACITY 136% of 1947-49
CURRENT OUTPUT 115% of 1947-49
CAPACITY 132% of 1947-49

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Why It's Hard to Get Rich Now

High Taxes Keep a Ceiling on Incomes

Ideas of using taxes to level incomes are still alive. You see it in the latest tax dispute in Congress.

Roosevelt's plan to limit incomes to $25,000 after taxes was turned down. Still, taxes put a ceiling on what a man can earn.

Rates remain near wartime peaks. Cuts are due in 1956. The issue: Who gets relief—little taxpayers, big taxpayers, or both?

—USN&WR Photo

TAX RETURNS POUR IN
In Congress: a clash of philosophies

Back in 1942, Franklin D. Roosevelt proposed to Congress that taxes be designed so that no individual could realize more than $25,000 of income a year after paying his taxes.

Congress balked at fixing a rigid $25,000 ceiling on income. It did, however, set about to fix tax rates approaching the President's goal.

Today, 13 years later, the rates of tax on incomes are not far below the high levels of the war years.

Congress, debating a tax cut to be applied to 1956 incomes, is taking a new, serious look at what taxes have done to people's earnings over the years.

To get $25,000 of income after tax, a married man now must have a total income of $33,357. A single man, to have $25,000 left after paying his taxes, must earn $44,123.

Prices, as well as taxes, have gone up. If an individual, married, with two children, sought to have the same purchasing power that President Roosevelt thought he should be permitted to have in 1942, he would require a total income of $65,000. A single man would need $96,000 to get the same amount of purchasing power.

Sharing the wealth. A study of tax rates shows that Congress, under both Republican and Democratic Administrations, has gone far to impose a ceiling on incomes after tax. The prevailing idea has been to level incomes down from the top and up from the bottom. The taxing power has been used, to a considerable degree, to redistribute income and to attain a measure of equality.

How this redistribution works can be seen in the figures.

Taxes now in effect take away half of a single man's taxable income above $16,000, half of a married man's taxable income above $32,000. The Government in other words, insists upon share and share alike for the man who gets a pay raise above these levels.

The higher the income, the bigger the bite. Take a bachelor who usually earns $50,000 a year in taxable income. Suppose he has a big year in 1955, and earns $60,000. Out of the extra $10,000, the Government steps in and takes $7,500. He keeps the $2,500 remainder.

The rate goes on up. So, on any taxable income above $100,000, this single man would have to pay the Government 89 to 91 cents out of each dollar.

Married taxpayers get a better break, because of income splitting between husband and wife. But there, too, the Government lops off the big portion of any extra income earned by people in high brackets.

A married man getting taxable income of $100,000 a year must turn over to the tax collector 75 cents out of each dollar of a pay raise. If he gets a raise on top of a $200,000 taxable income, he realizes only 11 cents on the dollar of his extra earnings. The Government gets 89 cents.

Those figures are typical of the ones Congress is digging up in its latest study of tax rates. The basis of the figures is in the accompanying charts.

Where taxes hit. By looking at the chart on this page, you will see that the great majority of taxpayers earn less than $5,000 a year. Figures used here reflect taxable returns. Husband and wife, filing a joint return, are counted as

Income Taxes—Who Pays

In this income group . . .	*This many taxpayers* . . .*	*Pay this much tax*
Less than $5,000	33,163,934	$ 8,461,000,000
$5,000 to $10,000	9,037,730	$ 6,919,000,000
$10,000 to $25,000	1,931,616	$ 4,838,000,000
$25,000 to $50,000	329,031	$ 3,086,000,000
$50,000 to $100,000	93,346	$ 2,451,000,000
$100,000 to $250,000	24,119	$ 1,721,000,000
$250,000 to $500,000	3,076	$ 620,000,000
More than $500,000	1,131	$ 781,000,000
Total	**44,583,983**	**$28,877,000,000**

*Taxable returns.

Source: Joint Committee on Internal Revenue Taxation

one taxpayer, not two. In the low-income group, those earning below $5,000, there are more than 33 million taxable returns. Altogether, this group pays 8.5 billions a year in taxes.

That is a little less, in total, than is paid by the relatively small group earning $25,000 or more per year. In this group are 450,000 taxable returns, about 800,000 taxpayers. This means that high incomes have been leveled down. In effect, taxes have put a ceiling on the incomes of the upper group.

That ceiling has remained flexible, in the sense that no flat limit of the kind advocated by President Roosevelt has been imposed.

The Roosevelt formula, with its flat $25,000 ceiling, would produce more dollars for the Treasury now than at the time it was proposed, because there are more big incomes. That formula, however, would not gather so much revenue that persons earning less than $5,000 could be relieved of tax altogether.

A $25,000 limit on after-tax income would profit the U. S. Treasury by roughly 3.5 billion dollars a year. Somehow, to pay for complete tax relief for people earning less than $5,000 a year, the Government would have to find an additional 5 billion dollars a year.

If the Roosevelt formula were modernized to make some allowance for inflation, Congress might set the ceiling at, say, $50,000. Extra revenue to the Treasury, in that case, would be only a little more than 1 billion dollars a year.

Tax relief. These figures point up the problems involved in any wholesale tax relief for people in the lower income brackets. Take the little man off the tax rolls, and the Treasury is in trouble. Try to take up the slack in the higher brackets, and rates soon become confiscatory.

The $20-a-head tax cut now at issue is about the mildest reduction yet proposed for 1956. This cut would pass out savings totaling 2.1 billion dollars a year, about two thirds of which would go to taxpayers earning less than $5,000 a year. Yet if the Government were to confiscate every dollar earned by the whole group with incomes above $100,000 a year, the extra revenue would amount to only a little more than enough to offset the cost of a $20 flat cut.

A $100 increase in the personal exemption, to $700, would mean tax savings of 2.4 billion dollars, going largely to lower-income groups. This relief formula has been proposed by many in Congress.

A $200 increase in the exemption, to $800, would cost the Treasury 4.5 billion dollars. That is more money than the Government would get by adopting the $25,000 ceiling advocated by President Roosevelt.

A $400 increase in the exemption, to $1,000, is the purpose of a number of bills introduced in Congress. This would cost 7.8 billion dollars a year. The whole group of taxpayers earning $25,000 or above, despite high tax rates, now pays only a little more than that in taxes each year.

Those are the facts that Congress keeps bumping into in trying to write a formula that will give relief to little taxpayers—without freezing out any relief for those in middle and upper brackets, whose incomes are hit hardest by today's high taxes.

A flat dollar cut or an increase in personal exemptions would concentrate tax savings in the low brackets, with only token relief in higher brackets.

That was just what the House Democrats had in mind in voting a $20 tax cut. Most Republicans in Congress, joined by the Eisenhower Administration, have different ideas about a tax-cutting formula, when the time comes.

Cut whose taxes? The whole question involves a clash of tax philosophies.

On one side, it is argued that taxes should be brought down with some regard to the order in which they went up. Those holding this view urge setting a goal of lower rates for all taxpayers, to be realized step by step, as the budget permits. They warn against slighting the man whose savings are counted on for new investments to provide more production and more jobs.

On the other side, the argument is that the sure way to promote and sustain prosperity is to build up purchasing power among the masses of the people. This can be accomplished most readily, it is contended, by concentrating tax relief among the taxpayers with incomes below $5,000 a year.

The outcome of that controversy will decide whether, under a Republican Administration, the trend toward "soak the rich" taxes will be reversed.

It also will decide whether the Government will continue to use taxes for social purposes, as well as for revenue.

Top men in the Eisenhower Administration regard taxes as an instrument of revenue, not of social reform. They think tax rates graduate too steeply in the middle and upper brackets. Their long-range objective aims at tax cuts all along the line, for big and little taxpayers, without any official rule against getting rich. Those ideas are coming to a test in Congress.

Treasury Secretary Humphrey tells the Administration's tax philosophy—page 106.

What Taxes Have Done to Incomes

Net income*	Amount Left After Federal Tax			
	1929	1939	1945	Now
SINGLE TAXPAYER				
$ 3,000	$ 2,994	$ 2,932	$ 2,415	$ 2,512
5,000	4,987	4,860	3,895	4,056
8,000	7,947	7,622	5,965	6,220
10,000	9,910	9,440	7,245	7,564
15,000	14,715	13,896	10,070	10,552
25,000	24,077	22,196	14,410	15,204
50,000	45,750	40,666	22,055	23,612
100,000	85,070	66,646	30,130	33,202
500,000	389,070	194,776	55,650	70,726
MARRIED TAXPAYER, TWO CHILDREN				
$ 3,000	$ 3,000	$ 3,000	$ 2,725	$ 2,880
5,000	4,997	4,952	4,245	4,480
8,000	7,986	7,816	6,415	6,848
10,000	9,959	9,657	7,755	8,408
15,000	14,799	14,169	10,735	12,100
25,000	24,161	22,673	15,295	18,732
50,000	45,834	41,379	23,135	31,116
100,000	85,154	68,003	31,435	48,088
500,000	389,154	196,432	57,015	97,544

*Income after deductions for charity, interest, etc., but before personal exemptions.

WHAT TRIAL HEATS SHOW FOR '56

Ike Way Out Front—Stevenson Leads Democrats

If next year's election were held today, it would be Eisenhower in a walk against all comers. That's what the polls show.

Among Democrats, Stevenson still is the popular choice, far ahead of Kefauver and others. He also tops Republican Nixon.

As Republicans see it: They need Ike to hold the White House.

Republicans, studying the polls and the political-opinion surveys they have been conducting privately, are coming up with these conclusions about the 1956 presidential campaign:

• President Eisenhower, now close to an all-time peak of popularity, seems to be the only "candidate" with whom the Republicans can continue to hold the White House.

• Mr. Eisenhower would beat Adlai E. Stevenson, the favorite among the Democrats for another nomination, even worse than he did in 1952. And Senator Estes Kefauver, of Tennessee, the studies indicate, would be an even weaker candidate against Mr. Eisenhower than would Mr. Stevenson.

• But Mr. Stevenson would be an easy winner over Vice President Richard M. Nixon, who is next in line for the Republican nomination if Mr. Eisenhower should decide to pull out of the running. The polls favor Mr. Stevenson in such a race by a margin of 3 to 2.

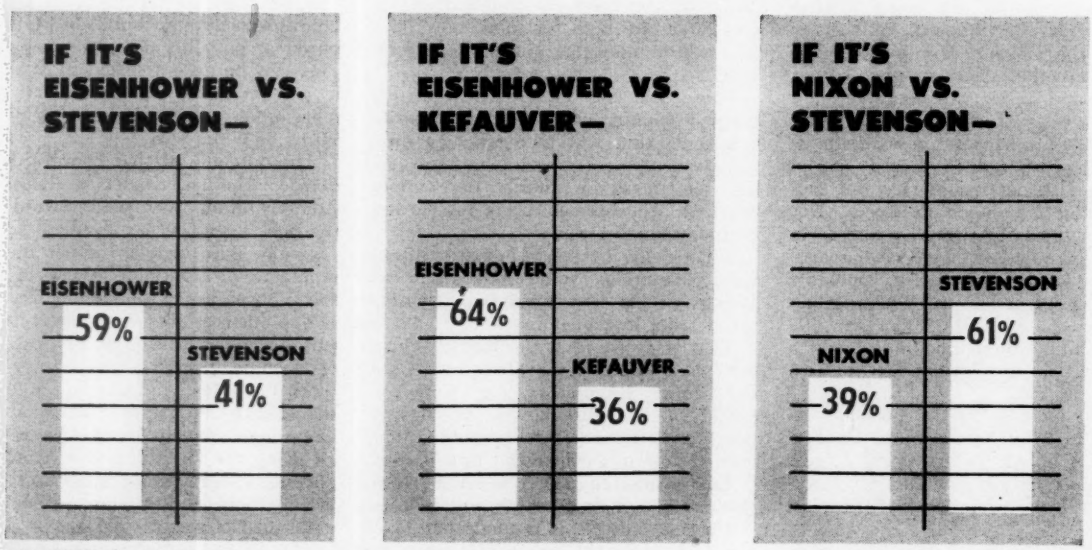
Pressure on Ike. These showings in the polls, reinforced by private studies by Republicans themselves, are tending to build up the pressure upon Mr. Eisenhower to run again. Republicans are convinced that, with him at the head of the ticket, they can continue to hold the White House and might manage to regain control of Congress. Without him on the ticket, they see a gloomy prospect.

Mr. Eisenhower, at this point in his career, is almost as popular in the nation at large as he is in the Republican Party. Seventy-one per cent of the people are reported by the American Institute of Public Opinion—Gallup Poll—as approving the way the President is handling his job. Seventy-four per cent of the Republicans want the President to run again. Before they lost the congressional elections in 1954, about 8 of each 10 Republicans wanted Mr. Eisenhower to run again.

At 71 per cent approval, the President's popularity is only 4 percentage points below the peak it hit in September, 1953, right after the Korean armistice. Twice since then—once following the announcement of his "atoms for peace" plan in December, 1953, and again after the signing of the truce agreement on Indo-China in July, 1954—the President has come to about the same levels as at present. The pollsters attribute Mr. Eisenhower's present climb to his handling of the Formosan crisis.

The low spots hit by Mr. Eisenhower

PREVIEWS OF 1956: What Gallup Poll Shows



(In 1952, the count was: Eisenhower 55.4%, Stevenson 44.6%)

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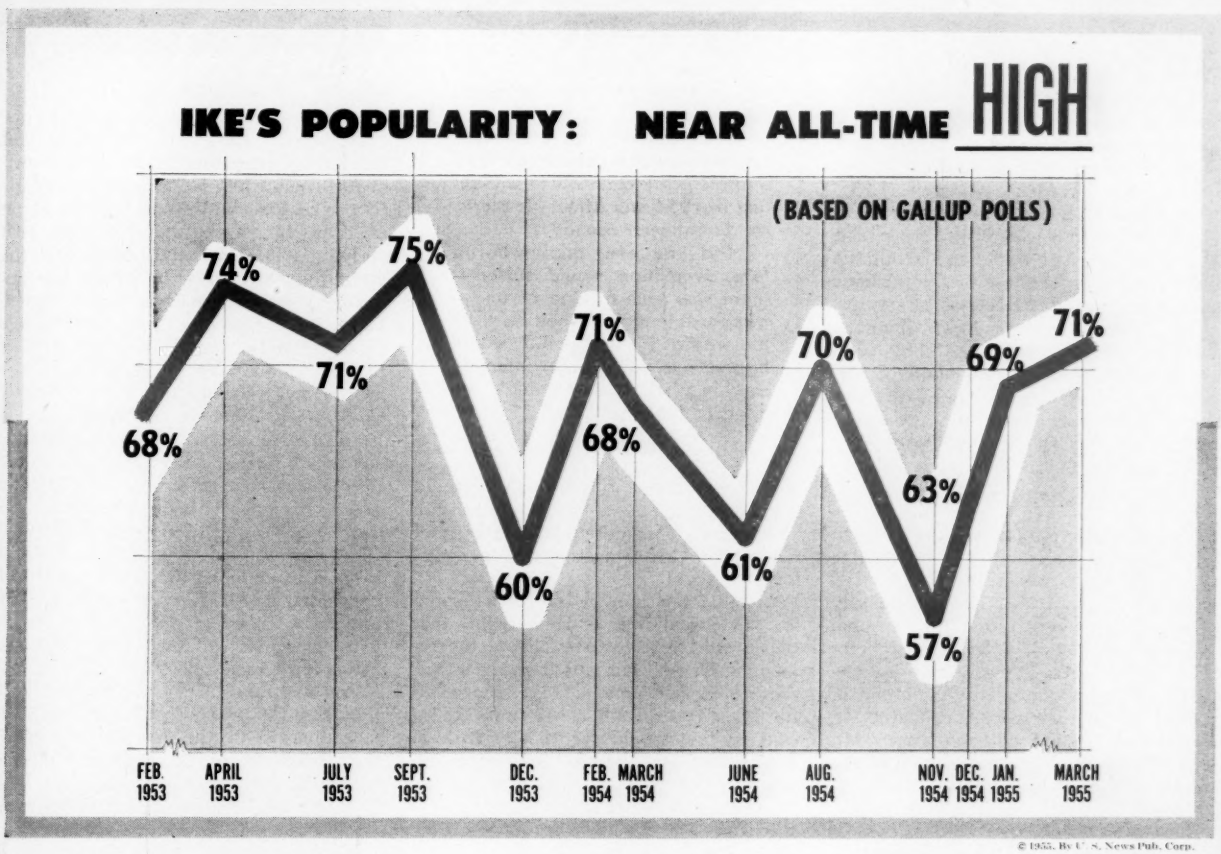

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are attributed to farm unrest in the early phases of his Administration, to a downward trend in employment in the spring of 1954, and to the battering from Democrats during the congressional campaign. But the rebounds have been comparatively quick.

Even at the lowest point in his popularity, reached at about election time in 1954, Mr. Eisenhower still held the approval of 57 per cent, or a majority, of the American people. This rating in the polls showed him to be more popular than his party. Republican congressional candidates then were getting 50.5 per cent of the vote outside the South.

In the comparative narrowness of its swing, from a high of 75 per cent to a low of 57 per cent, the Eisenhower popularity chart contrasts sharply with that of former President Harry Truman during his first two years in office. The Truman range was from a high of 87 to a low of 32 per cent.

Popularity tests. Another test of the Eisenhower popularity is shown in the series of trial runs conducted by the Gallup organization. In these, the President is matched against a Democratic candidate, the question being: If an election were held today, which of the two candidates would the person being interviewed vote for?

These tests matched President Eisenhower and Adlai E. Stevenson, of Illinois, and the President and Senator Estes Kefauver, of Tennessee. Mr. Stevenson is favored by a majority of Democrats for a second nomination, and Mr. Kefauver is the runner-up.

In such tests, Mr. Eisenhower has steadily gained ground. In April, 1954, only 45 per cent of the voters said they would favor Mr. Eisenhower for President in another race against Mr. Stevenson. Thirty-seven per cent favored Mr. Stevenson, and 18 per cent were undecided.

But, in February, 1955, the polls indicate that Mr. Eisenhower now would run about 3.6 percentage points better against Mr. Stevenson than he did in 1952. The figures worked out to 59 per cent for Mr. Eisenhower and 41 per cent for Mr. Stevenson.

Oddly enough, the poll indicates that Mr. Eisenhower would get a larger proportion of the Southern vote now than he did in 1952 when he carried Virginia, Tennessee, Florida and Texas.

South evenly divided. The South divided its vote in 1952 with 51 per cent for Mr. Stevenson, 49 per cent for Mr. Eisenhower. Last September, in the wake of the Supreme Court decision banning segregation of the races in the public schools, 56 per cent of the Southerners said they would vote for Mr. Stevenson, 44 per cent favored Mr. Eisenhower. But, as it stands today, the polls show that Mr. Eisenhower would divide the vote of the Solid South evenly with Mr. Stevenson, each of them getting 50 per cent.

Among voting groups, the divisions between Mr. Eisenhower and Mr. Stevenson run about the same as they did in 1952, with the President getting a little stronger support from some of them. The President draws a majority of the vote of those 50 and over. He gets a little larger vote among women than among men, and he runs stronger among business and professional and white-collar groups than he does among farmers and manual workers.

Mr. Stevenson is favored by a majority of those in the 21-to-29 age group, indicating that the Republicans have not yet been able to counteract the breadth of the Democratic appeal to young people. But, despite Mr. Stevenson's showing among manual workers and farmers, a majority of these favor Mr. Eisenhower.

Against Senator Kefauver, Mr. Eisen-

hower would run up better than a 3-to-2 margin of votes. Even in the South, the President would outrun the Tennessee Senator. Where he would divide the Southern vote evenly with Mr. Stevenson, the President would get 56 per cent of the Southern vote as against 44 per cent for Mr. Kefauver.

In a race with the Tennessee Senator, Mr. Eisenhower would draw 71 per cent of the independent voters and about the same proportion of those in the business and professional and white-collar groups.

Mr. Nixon—next in line. Almost a third of the Republicans—3 of each 10—would favor the nomination of Mr. Nixon as a candidate if Mr. Eisenhower should insist on withdrawing from the race. After Mr. Nixon, with the backing of 23 and 20 per cent of the Republicans, respectively, are Thomas E. Dewey, former New York Governor, and Harold E. Stassen, the director of the Foreign Operations Administration.

Mr. Nixon, however, has dropped 5 percentage points in his popularity among Republicans since last autumn when he was leading the campaign for the election of a Republican Congress. Then, 35 per cent of the Republicans picked him as their second choice if Mr. Eisenhower should not run again. Mr. Dewey and Mr. Stassen held about the same positions as they do now.

Henry Cabot Lodge, Jr., U. S. Representative to the United Nations, whose name was not on the autumn list, now has moved into fourth place among the candidates favored if the President steps aside.

The trial heats indicate, however, that a race between Mr. Stevenson and Mr. Nixon would give the White House to the Democrats by a top-heavy margin. The figures work out to 61 per cent of the vote for Mr. Stevenson, 39 per cent for Mr. Nixon.

Only 64 per cent of those who voted for Mr. Eisenhower in 1952 report that they would vote for Mr. Nixon; the remaining 36 per cent would swing to Mr. Stevenson. And among those who voted for Mr. Stevenson in 1952, only 2 per cent say they would shift to Mr. Nixon in a race between these two candidates. By contrast with the 57 per cent of the Northern and 49 per cent of the Southern vote that Mr. Eisenhower got in 1952, the poll indicates that Mr. Nixon would get only 40 per cent of the Northern and 32 per cent of the Southern vote.

Mr. Stevenson's gain. Mr. Stevenson has been steadily increasing his hold upon the Democratic voters during the last year, building up the majority of those favoring his nomination. Mr. Kefauver has lost ground in the period. And Senator Richard B. Russell, of Georgia, third man in line, holds his ground.

In March, 1954, Mr. Stevenson was favored for renomination by 54 per cent of the Democrats. He now is favored by 58 per cent of the Democrats for a rerun of 1952. Mr. Kefauver, at 21 per cent early in 1954, stands at 16 per cent in the latest poll. Mr. Russell's figures are unchanged from 7 per cent. Since March, 1954, the Democrats have added three Governors who won election last autumn to their list of possible candidates. They are Averell Harriman, of New York; G. Mennen Williams, of Michigan, and Frank J. Lausche, of Ohio.

A dark horse? There is one potential Republican vote getter on the side lines whose strength as a presidential candidate has not been appraised. This is Chief Justice Earl Warren, who says he is not a candidate. Whether he could be persuaded by Mr. Eisenhower to become one if the President should make up his mind firmly to get out of the race remains to be seen.

As Republicans look toward 1956, they face the problem of increasing their vote margin in the North. Ordinarily, they need 55 or 56 per cent of the Northern vote to take control of the House. With 50.5 per cent in 1954, they lost.

That is an added reason why the pressure is growing for Mr. Eisenhower to run. When Republicans appraise the vote division and prospective candidates, they are led to believe that he is the only man who can win for them.

INDISPENSABLE MAN?

President Eisenhower does not regard himself as the "indispensable man."

When asked in his press conference how the Republican idea that his party cannot win without him in 1956 will affect his plans, Mr. Eisenhower replied:

"Did you ever think what a fate civilization would suffer if there was such a thing as an indispensable man? When he went the way of all flesh, what would happen? It would be a calamity, wouldn't it? I don't think we need to fear that."

HOW PRESIDENTIAL "CANDIDATES" LINE UP

These Are Favorites With Republicans— If Ike Does Not Run

	FAVORED BY
Richard M. Nixon	30%
Thomas E. Dewey	23%
Harold Stassen	20%
Henry Cabot Lodge, Jr.	11%
William F. Knowland	6%
John W. Bricker	6%
Everett M. Dirksen	4%

These Are Favorites With Democrats—

	FAVORED BY
Adlai E. Stevenson	58%
Estes Kefauver	16%
Richard B. Russell	7%
Averell Harriman	4%
G. Mennen Williams	3%
Frank J. Lausche	2%

(1% favored others, and 9% had no opinion)

(BASED ON GALLUP POLLS)

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Cadillac

Meeting of... Cadillac Owners!

Through all the higher phases of business and finance and industry, Cadillac is the overwhelming favorite.

It is not at all unusual, in fact, for a fine American corporation to have its entire board membership represented on the Cadillac owner list.

Needless to say, a motor car must offer many exceptional qualities in order to win the favor of so distinguished a group of motorists.

And never have these been more clearly evident than they are today.

There is Cadillac's inspiring new beauty, for instance . . . its great distinction . . . its magnificent performance . . . and its brilliant luxury.

Of course, you don't have to be a member of a Board of Directors in order to enjoy a new Cadillac car.

In fact, a Cadillac is one of motordom's greatest values—the ideal car, economically, for a very wide group of American motorists.

Why not visit your dealer soon—and confirm this for yourself?

CADILLAC MOTOR CAR DIVISION ★ GENERAL MOTORS CORPORATION

Wheels by Kelsey-Hayes

Modern cars are so well designed that first sight registers only an image of the car's beauty as a whole. Seldom are you conscious of any individual part. But when the car has those rich, sleek-looking wheels by Kelsey-Hayes, you know at once that here is wheel design that contributes more than the usual smartness.

Kelsey-Hayes Wheel Co., Detroit 32, Mich.

KELSEY HAYES

World's Largest Producer of Automotive Wheels

Wheels, Brakes, Brake Drums, Special Parts for all Industry • 9 Plants — Detroit and Jackson, Mich.... McKeesport, Pa.... Los Angeles ... Windsor, Ont., Canada ... Davenport, Ia. (French & Hecht Farm Implement and Wheel Div).

"AMERICAN IDEA" HITS EUROPE

Gadgets, Supermarkets, Time Buying Spark Boom

Millions of wage earners in non-Communist Europe are rushing out to buy the good things of life they once thought were reserved for rich Americans.

Big boom is on for new houses, cars, TV sets, washers, refrigerators. Standards of living are going up.

People are buying "on time" at a dizzy rate. Even governments get into the act, selling appliances, collecting installments.

American-type living brings self-service, timesaving gadgets. U. S. techniques catch on quickly with both buyers and sellers.

Despite boom, buying power keeps rising.

Reported from LONDON, PARIS, BONN, ROME and ZURICH

Europe is on a buying spree. It is reaching out for the American way of life, with the pent-up power of a market of 300 million consumers starved for good things.

Sparked by U. S. know-how and billions of dollars in postwar aid, people from Britain to the edge of the Iron Curtain are spending money for new houses, furniture, appliances, TV sets, automobiles and packaged foods that were dreams seen only in American magazine ads a few years ago.

Installment buying, almost new to Europe, is in a feverish spiral. So much so that Britain, on February 24, had to apply brakes that had been eased in mid-1954.

Self-service stores, supermarkets, shops on wheels, coin-operated laundries, fancy filling stations, American-type gadgets and packaging gimmicks, all are catching on. Manufacturers and retailers are profiting by streamlined Yankee techniques.

Display advertising, U. S. style, is blossoming. American advertising artists are being recruited at good salaries.

European businessmen, who only a few years ago didn't know a word of English, now chat easily about "production flow," "human relations" and "marketing." Salesmen are learning to sell the American way.

Wages, salaries and standards of living are going up, not down.

The better life. This whole trend is lifeblood for European business, stuck for years in a bog of restrictive practices. It is good news for U. S. business, means an expanding market for export of American brains and methods and for sale of consumer goods turned out, on the spot, by subsidiaries of U. S. firms.

There still are plenty of roadblocks in the way of a free, American-style economy in Europe. Old-fashioned buying habits die hard. Monopolies still cling, often act promptly to penalize enterprising dealers. Licensing laws work to discourage new kinds of competition. Some workers cavil at using modern machines.

Nonetheless, the trend toward a better way of living is clear, analysts say. There is a spectacular rise in spending on the things that Europeans used to regard as luxuries.

For example, purchases of passenger cars in Britain, France, Germany and Italy doubled from 1950 to 1954, now are running well over a million cars yearly. In Germany, spending on household goods rose 90 per cent from 1949 to 1953. British output and purchase of consumer durables have more than doubled in six years.

Italians are buying six times as many motorcycles and motor scooters as they did five years ago. The British are turning out more than half a million electric washing machines, compared with 100,000 in 1948. Britons have 4 million TV sets, four times as many as in 1951. The French made 205,000 refrigerators in 1953, only 70,000 in 1949.

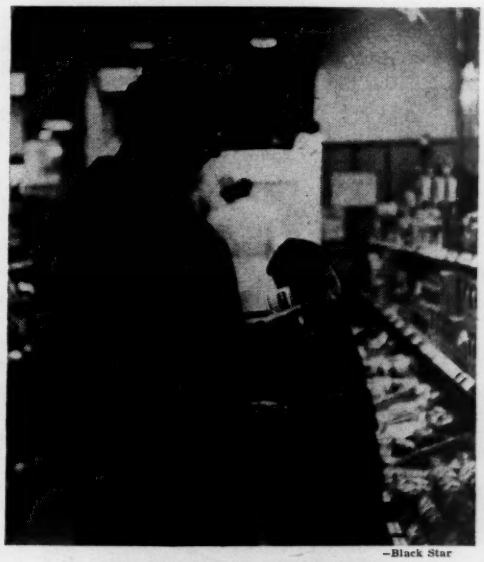
Life on credit. Perhaps the biggest phenomenon all over Europe is the avid mass adoption of installment buying, extinct during the war and little more than an experiment before then.

In Britain, not long ago, "hire purchase" buying was considered not quite respectable. Some called it the "never never" plan, meaning you never got anything paid for.

Now the swarm of furniture and appliance vendors armed with installment contracts approaching each new housing development reminds Americans of old-time pay days at a U. S. coal mine just before Christmas.

Houses, being built at the pace of almost 1,000 units a day, can be bought for as little as 5 per cent down, with payments spread over 25 years at 4 per cent interest.

At the height of the boom, 10 per cent, or occasionally nothing, was acceptable as down payment for furniture. In some cases, three years was permitted for payment. Under new restrictions, there must be a minimum down payment of 15 per

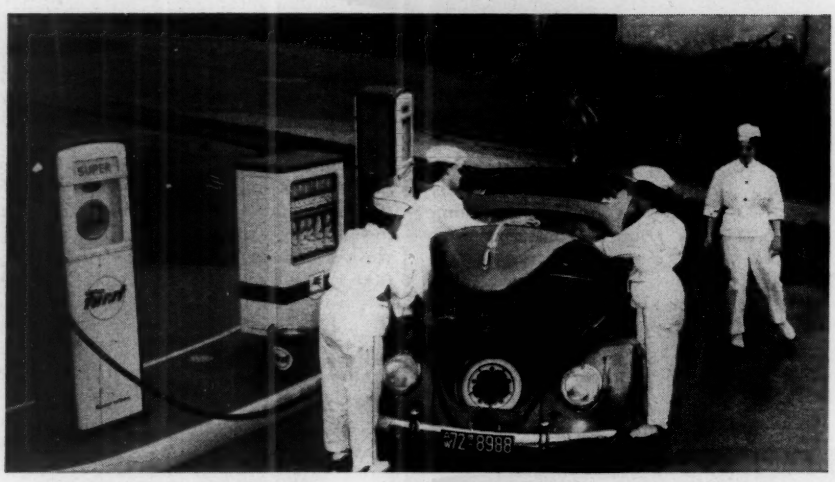


—Black Star

"SELF-SERVICE" IN EUROPE
. . . and a spectacular rise in spending

EUROPE GOES MODERN . . .

SUPERMARKET IN FRANCE



GAS STATION IN GERMANY

—Wide World, BIS

SHOPPING CENTER IN ENGLAND

cent for most things, with spread of installments limited to two years.

Total time payments in Britain are vastly greater than before the war. Estimates suggest the equivalent of 1.1 to 1.3 billion dollars. Some three quarters of all British furniture, TV and radio sets are said to be bought on credit. Only 14 per cent of automobiles are sold on time, because demand is still so high. One old Scottish bank, however, is now underwriting the buying of airplane tickets on time payments.

The British Government itself is in the installment field, selling gas and electric appliances from those nationalized industries at carrying charges of 7 or 8 per cent.

Installment coupons. In Italy, both employers and Government get into the time-payment act. Much Italian installment buying is done through a pay-withholding system. Merchants arrange payments through employers, rather than by individuals. It works this way:

A stenographer wants a new dress. She gets a coupon from her boss that is good at a shop listed with the company. She goes to the store, presents the coupon and gets the dress. Then, for several months, small deductions are made from her pay until the dress is paid for. Her boss turns the purchase price over to the shopkeeper.

The Italian Government uses this withholding system. Government workers get not only the advantages of installment buying, but a 9 per cent discount as well.

French installment buying, in its infancy before the war, also is making a strong comeback. Dealers say more than half the French TV sets, radios, refrigerators, washing machines and other appliances costing more than $100 sell on installments.

French credit rates are high, but competition is driving them down. One Paris store is offering a washing machine for 16 per cent down, with payments over eight months at a net interest rate of 6½ per cent per year.

Streamlined selling. Influence of American ideas on production, distribution and marketing is noticeable almost everywhere in Europe.

One of the more extraordinary adaptations of the "American idea" came in the French shoe industry. A retired U. S. chain-store operator, Mark Shaw, who was loaned to a French productivity agency by the U. S. Government, is largely responsible.

Two years ago, Mr. Shaw encouraged a Marseilles shoe manufacturer, Marcel Soulet, to organize 50 independent shoe stores into a "voluntary" chain. Some of these stores previously had bought from as many as 125 suppliers. Alto-

gether, they carried 4,000 different models. Factories had to make as few as three pairs of one model to satisfy demands of finicky retailers.

With Mr. Shaw's advice, Mr. Soulet reduced his line to 25 basic models. By trading shoes with three other makers, all of whom now sell under a single brand name, Mr. Soulet provides his outlets with about 100 models. None is produced in less than 100-pair lots, and orders for some models have reached 5,000 pairs.

Window displays were improved with Mr. Soulet's help and with psychological pricing, such as selling 1,500-franc shoes for 1,490 francs.

Results have astonished the French shoe industry. In two years, Mr. Soulet's sales have increased fivefold. Prices have been cut about a dollar a pair. Wages of workers are up 30 per cent, output per worker has more than doubled.

Ads and self-service. On Italian roads, no motorist can escape the impact of roadside advertising and service in line with the "American idea." The billboards, advertising everything from vermouth to tires, seem to be there to stay. Slicked-up gasoline stations are appearing. Some are equipped with shiny coffee bars, cocktail lounges and picture windows.

Prepackaging of foods has taken hold in many Italian cities. Self-service food stores are getting started.

Italians are going in for direct-mail selling, too. One Italian company, on receipt of a telegram, will fly live lobsters from Sardinia to anywhere on the Italian mainland in less than 24 hours.

Joint advertising has been taken up. Italian banana wholesalers have increased their sales from 6,000 to more than 40,000 tons yearly by campaigns promoting "banana days," and other American-style sales plans.

Little Switzerland is taking to self-service in a big way. It now has 300 to 400 such stores. Most aggressive in this development is the MIGROS system, which now operates 150 self-service stores as against 130 with counter service. MIGROS also has some supermarkets, selling dry goods and appliances as well as food.

MIGROS, too, has developed the "rolling store"—open-sided truck that stocks 500 items selling at low markups. The system plans to introduce these shops on wheels to Turkey and possibly Puerto Rico.

In Germany, new packaging methods along American lines have caught on with both producers and sellers. Ready-packaged foods are being adopted by some chain stores. Milk in paper containers is so popular that manufacturers

(Continued on page 38)

You can't see America through a bank of clouds

All too often there's nothing to see from a plane but a wing, the clouds or a featureless world below. Monotonous, isn't it?

It's so different traveling across the country on The Milwaukee Road's Olympian HIAWATHA. A wide window beside your seat frames an ever-changing panorama of towns and countryside.

If you want to go all-out for sightseeing, the full-length Super Dome practically surrounds you with glass. You get close-ups of farmyards and ranches... forests and rivers... the homes and main streets of small towns... vistas of distant mountains.

It's all in color, all in three dimensions—and free with your rail ticket. Join us soon for a front-and-center seat at the greatest show on earth. Harry Sengstacken, Passenger Traffic Manager, 708 Union Station, Chicago 6.

THE MILWAUKEE ROAD
THE WAY TO TRAVEL AND SHIP

SUPER DOME
OLYMPIAN Hiawatha

CHICAGO • MILWAUKEE • ST. PAUL
MINNEAPOLIS • MILES CITY • BUTTE
SPOKANE • SEATTLE • TACOMA

These days... wonderful buildings are made in factories

Stores, factories, offices, warehouses—Butler buildings meet a wide range of needs. Do a better job for far less money.

by BUTLER and they save you half the cost

Steel buildings made in factories—so complete that erection is only a bolting job! Steel buildings so well designed and precision-made that no field flashing or tailoring is needed. These are Butler steel buildings. They perform every function of conventional structures, yet they cost less to buy, less to erect, less to expand, less to change, less to maintain! In the long run, Butler buildings CUT YOUR COSTS IN HALF. Get all the facts. Mail coupon today.

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Manufacturers of Oil Equipment
Steel Buildings • Farm Equipment
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are having trouble filling container orders.

Self-service stores made their appearance two years ago in major West German cities. Now there are some 520 of them, and their turnover is estimated at 14 to 15 per cent of total retail sales.

The British way. British business is approaching American techniques cautiously, but surely. Brakes are off advertising, with spending more than doubled in four years. Private industry will be advertising on TV by next winter.

Self-service shops are coming more into vogue, although supermarkets of the American type are scarce. This despite the fact that the late Sir Thomas Lipton had chain groceries flourishing in England well before the turn of the century, and private chains today account for nearly one quarter of all British retail sales.

Detergent cleaning powders have replaced bar soap to about the extent they have in the U. S., and a start has been made on popularizing frozen foods and prepared pastry mixes. American formulas for soft drinks, and their promotion, are in Britain for good. So are brushless shaving creams and lotions, many of them made by U. S. subsidiaries.

One investor estimates that nearly 400 million dollars has been put into Britain by U. S. firms since the end of World War II, either by direct transfer of dollars or by the plowing back of earnings.

"It is American subsidiaries who are benefiting most from the boom in electric washers and vacuum cleaners and sharing in expanding sales of refrigerators, soft drinks, chewing gum and office equipment," this investor says.

In Britain, the U. S. affiliates remit about half their net profits to the U. S., reinvest the rest locally.

Lasting boom? Despite various deterrents, mass sales all over Europe find their biggest stimulant in the rising level of consumer incomes. A new study of incomes by the Organization for European Economic Co-operation indicates the possibilities.

This study, based on real purchasing power in Europe and the U. S., shows that European living standards are not so far below America's as previously thought.

For example, the average Briton in 1950 had about 60 per cent as much purchasing power as the average American, rather than the 37 per cent hitherto calculated.

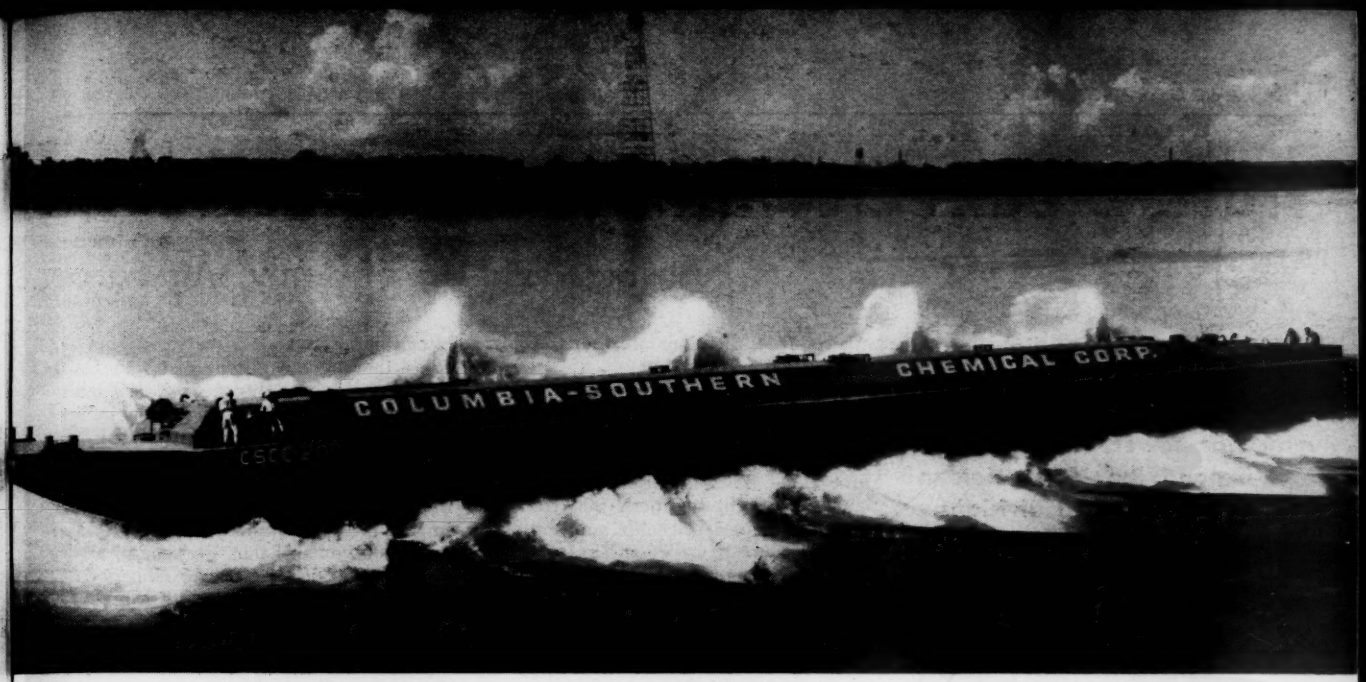
Further, the study indicates that, as consumer incomes rise in Europe, purchasing of consumer durable goods will go up far more rapidly. Thus a rise in Britain to the American level of real income could mean a tripling in buying of household goods. Already, statistics on both Britain and Germany show, purchases of household wares have been rising at 2 or 3 times the rate of total consumer spending.

Europe's current boom, therefore, seems to the experts to have real staying power, provided it doesn't run off the inflation rails. "The American way" appears to have a lasting appeal for the millions who never had it so good.

—Black Star

SOFT DRINKS FOR YOUNG GERMANS
. . ."the American way" is catching on

How European countries are seeking to control inflation—see Business Around the World, page 123.

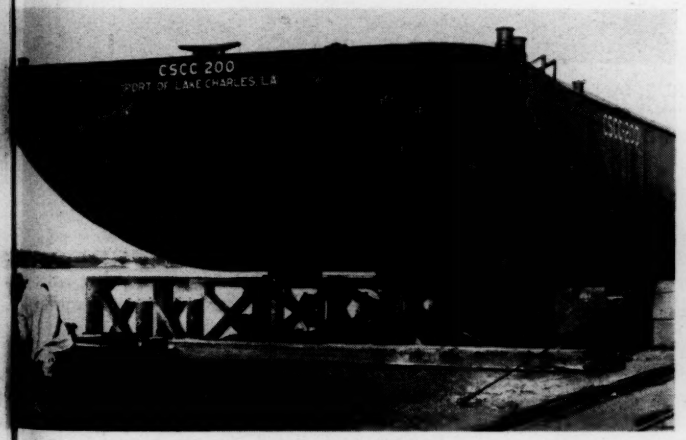


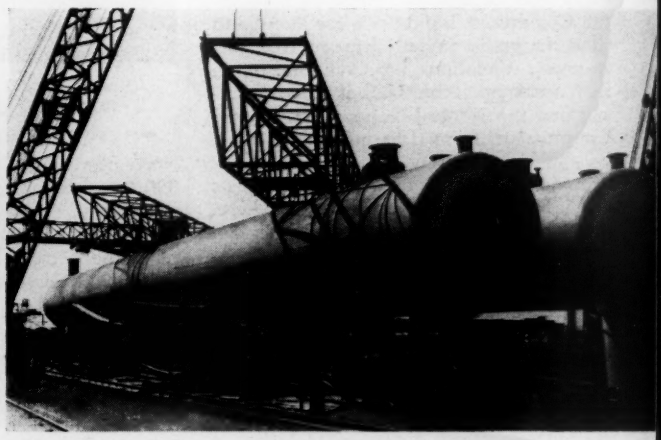
THIS BIG SPLASH IS MAKING CHEMICAL HISTORY

Here's the newest of a long list of Columbia-Southern achievements in the transportation and handling of industrial chemicals. The launching, pictured at New Orleans, is of one of Columbia-Southern's new fleet of advanced-design caustic soda barges.

The development of the industry's most advanced barge fleet is a natural outgrowth of Columbia-Southern's pioneering research and development in transporting liquid caustic soda by both rail and water. Distinctive features of this new fleet include newly designed electric pumps that speed and simplify unloading; Pittsburgh Fiber Glass insulation and the most modern steaming facilities; Columbia special tank lining and nickel pump fittings to prevent metallic contamination of the caustic; complete safety construction and equipment.

Setting the pace in chemical transportation is one of many contributions to the chemical industry by Columbia-Southern, a leading producer of chlorine, alkalies and related chemicals.





On Columbia-Southern's new barges, one end is sharply raked, while the other is flat. This permits far greater maneuverability. Also, more barges can be moved faster with the same towboat power. These barges are equipped with two caustic soda cargo tanks, each of 600 ton capacity, especially mounted and insulated to facilitate unloading.

COLUMBIA-SOUTHERN CHEMICAL CORPORATION

SUBSIDIARY OF PITTSBURGH PLATE GLASS COMPANY

ONE GATEWAY CENTER · PITTSBURGH 22 · PENNSYLVANIA

CHLORINE, ALKALIES AND RELATED CHEMICALS • OFFICES IN PRINCIPAL CITIES

Truce Breaks Down in Korea

Communists Push Big Build-Up of Army, Air Force

Evidence comes to light of a secret Red agreement to violate truce terms, build up North Korean war power. The plan—

• Expand the North Korean Army from 12 to 40 divisions.

• Create a 1,700-plane air force, with new jet bases, in North Korea.

• Build seven naval bases and a Communist navy below the Yalu.

New indications are that this build-up now is far advanced.

SEOUL, Korea

Rearmament of North Korea by Communists, in violation of truce agreements, is in full swing.

Americans fought a war, suffered 140,000 casualties, and then accepted an armistice as the basis for ending the fight.

Communist signatures on that armistice agreement were hardly dry before its terms were being violated systematically and flagrantly. Today, as a result, the Communist build-up is far along and the Communist potential for revived war is great. Violations by Communists, in fact, are so open that U. S. is recommending that the Neutral Nations Supervisory Commission, formed to police the truce, be abolished entirely.

A detailed report of what Communists are up to in North Korea is given here. This report is from trusted American and Allied sources. It is thoroughly documented by those sources.

The facts are these:

In August, 1953, less than a month after the truce was signed, the Soviet Union, Communist China and the puppet Government of North Korea agreed upon a plan to increase Communist strength in North Korea in violation of the armistice.

Under this agreement, the North Korean Army was to be raised from 12 to 40 divisions. China agreed to furnish light weapons, Russia to supply heavy arms.

By mid-1955—approximately the present time—this North Korean Army was scheduled to be expanded to 20 divisions. This was to include 10 infantry divisions, 4 armored, 4 artillery and 2 antiaircraft. Indications are that the goal is being met.

Air strength of Communists in North Korea, under the plan, was to get an even bigger build-up. A goal of 1,700 planes was set for the North Korean Air Force alone. That includes 1,000 fighter planes, 200 light bombers, 500 training and cargo planes. Airfields and complex air bases were to be completed all over North Korea, spotted so as to give mutual defense against Allied air attacks.

Even naval strength was to emerge under the 1953 Communist plan. Seven naval bases were to be developed in North Korea, and a coastal fleet of 200,000 tons assembled to form a North Korean Navy.

In contrast to this over-all Communist plan, the current build-up of South Korean forces is being completely offset by withdrawal of other Allied forces, so that there is no net increase in Allied strength in Korea. This violates no truce agreement.

The big violations. How completely the Communists are violating every agreement in the armistice, while carrying out this build-up, is coming to light, too. Well-documented evidence shows, in considerable detail, what the Communists have done thus far.

Hundreds of jet planes have been brought into North Korea, for example. There are known to be at least 255 Russian-made MIG-15 jet fighters there now. Even more important, there are at least 84 IL-28 jet bombers—roughly resembling the American B-57, a two-engine jet. Then there are a minimum of 25 LA-9 propeller-driven fighters, 35 Yak-9 interceptors, and 30 IL-10 fighter-bombers.

Airmen of the North Korean Air Force have more than tripled in number within Korea. At the time of the armistice, there were 6,000 in North Korea, others in training in Manchuria. Now there are 20,600 men of that air force in Korea alone, 5,000 of them flying officers.

Bases and airfields in North Korea also have gotten a major build-up, so that thousands of Communist Chinese and Russian aircraft can be brought into use on short notice. Whereas there were only 34 airfields in North Korea at the time of the armistice, and only one of these was usable, now there are at least 80 well-equipped Communist airfields in North Korea. There is evidence that all of those airfields can accommodate both jet and propeller-driven aircraft.

—Eastfoto

RUSSIAN-MADE TANKS IN NORTH KOREA
. . . 150 are there illegally

Combat strength on the ground has been augmented, both in men and equipment, also in violation of truce agreements. There is concrete evidence that firepower of the Communist armies in North Korea has been increased by at least a third, with the illegal addition of 150 Russian-made tanks, plus at least 800 big 122-mm. mortars and 10,000 mortars of 82-mm. size.

Great quantities of combat equipment, the evidence shows, have been brought into North Korea through the border towns of Hyesanjin and Chosen, neither listed among the five "ports of

entry" where neutral inspection teams are permitted to keep an eye on the flow of military supplies.

Smuggling of combat equipment to by-pass the inspection teams also has been going on at Sinuiju, one of the designated ports of entry. There, the Communists have built a railroad spur line two miles outside of town, and have used it to bring in quantities of arms. When the Swiss and Swedish members of the local inspection team suggested inspecting the spur, the Communist Polish and Czech members vetoed the idea.

Agreements concerning war prisoners, in turn, have been violated by the Communists in Korea even more openly. After signing an agreement to furnish complete information on Allied prisoners in their hands, the Communists still refuse to give any information on 2,840 Allied personnel, including 526 Americans who, evidence shows had fallen into their hands. Most or all are presumed dead at this time, but the Communists still have not furnished any information concerning these cases.

Repatriation agreements have been violated openly in many cases, as well. Communists admit holding at least 15 American Air Force men who were captured during the Korean war while on regular military missions. Eleven of these have been sentenced to prison terms, two years after they were supposed to be repatriated under a signed agreement. In addition, South Koreans charge the Communists with holding 60,000 of their troops, captured in combat and refused repatriation. According to the charge, these men are being forced to serve in North Korean forces against their will.

The next step. Just what can be done about these Communist violations of the Korean armistice? This question is known to be under serious official study by Allied planners at this time.

A complete report, first of all, is to be made through regular channels to all 15 United Nations governments which sent troops to Korea. Such a report, listing the violations in detail, already has been given at a U. S. State Department conference by Adm. Arthur Radford, Chairman of the U. S. Joint Chiefs of Staff.

What the next step will be has yet to be decided. Resumption of shooting war? That's authorized if either side breaks the truce agreements, but it is highly unlikely that U. S. will initiate hostilities. Give the Communists an ultimatum to comply with agreements made? That's being considered, but is also unlikely. Write off the limiting agreements and begin a build-up in South Korea as well, to restore the pretruce balance of strength? That appears the most likely possibility now. The next few months may tell.

How Communists Have Violated Truce Terms in North Korea—
REDS PROMISED THIS:
REDS HAVE DONE THIS:
To "cease the introduction into Korea of reinforcing combat aircraft."
Brought in at least 429 combat planes, 339 of them jets.
To "cease the introduction into Korea of armored vehicles, weapons and ammunition . . ."
Increased their firepower by a third, brought in 150 tanks, 800 122-mm. mortars, 10,000 82-mm. mortars.
To "cease the introduction into Korea of reinforcing military personnel" except for man-for-man rotation.
Stepped up North Korean combat divisions from 12 to 20, increased Air Force strength in North Korea from 6,000 to 20,600 men.
To repatriate all prisoners of war who want repatriation "without offering any hindrance."
Continued, admittedly, to hold 15 Americans as prisoners, while South Koreans charged failure to return 60,000 war prisoners.
To move all arms and troops through five designated "ports of entry," with full knowledge of Neutral Nations Inspection Teams.
Smuggled arms and aircraft into North Korea on a large scale, evading "ports of entry," according to charges by neutral inspectors in Korea.
To furnish complete information on the condition and fate of all war prisoners.
Refused information on 2,840 Allied personnel, including 526 Americans, believed to have been prisoners of war.

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RED CHINA EYES HONG KONG

One Offshore Island British Will Not Give Up

British complaints about U. S. safeguarding of Chinese islands against Reds don't include the real prize—Hong Kong.

It's closer to China than either Quemoy or Matsu. But it's a far different proposition as seen in London.

Hong Kong is a British colony —and Britain will fight for it.

HONG KONG

Islands off the shores of mainland China are in the center of interest for diplomats and political leaders right now.

If you look at a map of China, you notice many offshore islands. Among them are Quemoy and Matsu.

An intense attack is being made by British officials upon the United States for its interest in Quemoy and Matsu as outposts for defense of Formosa. The Churchill Government disassociates itself from the U. S. in any defense of these islands if they are attacked by Chinese Communists.

British critics of the U. S. keep stressing that Quemoy and Matsu are only a few miles from the Chinese mainland, and are 6,000 miles from America.

Look at the map again, and about 400 miles south of Quemoy you find another offshore island—Hong Kong.

Here you find an island that is only 1 mile from the mainland of China. It is 11,000 miles by sea from England, 6,000 miles by air.

Fight for Hong Kong? Great Britain, however, is prepared to defend Hong Kong—and American officials say Britain apparently expects that U. S. would assist in that defense.

What is the difference between these offshore islands—between Hong Kong and Quemoy or Matsu?

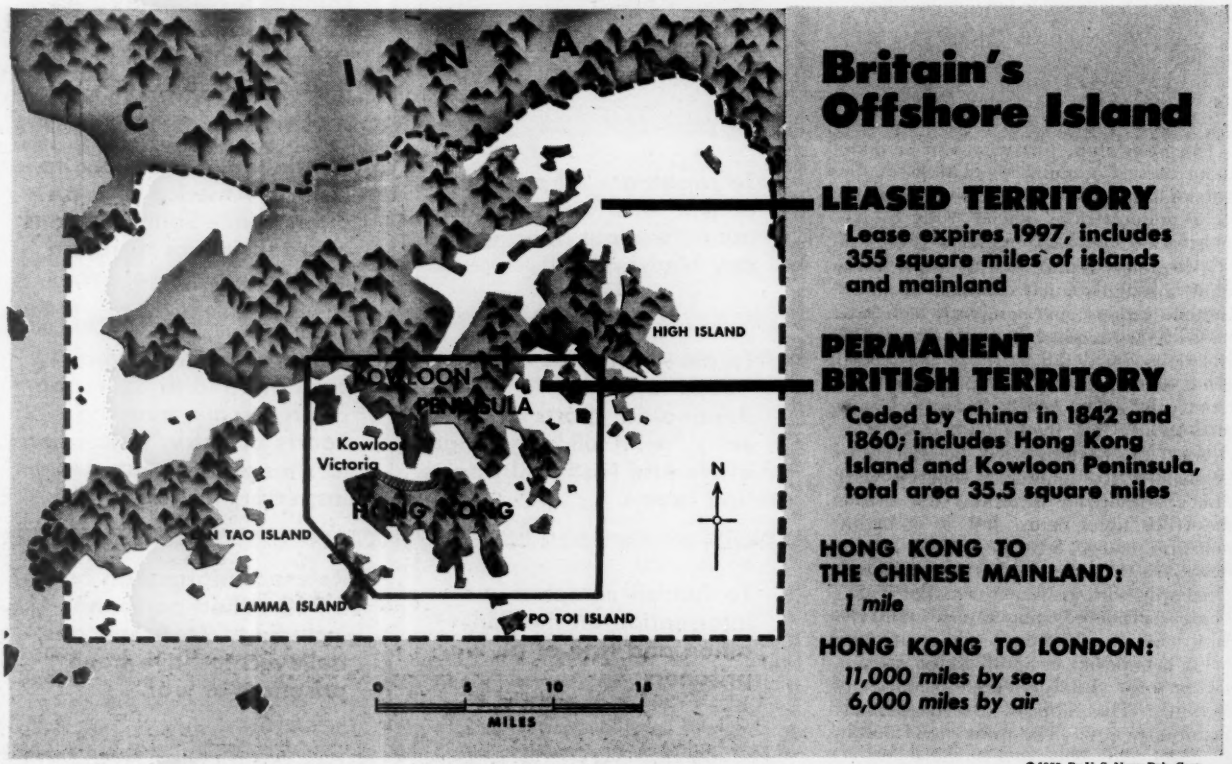
The difference, as the British see it, is that Hong Kong is a British colony, a part of the British Empire.

Quemoy and Matsu are owned and administered by Chinese. There is no question, in those islands, of foreign empire. The American interest in them is purely military, as defense for Formosa. It was from Formosa, Americans remember, that Japan in 1942 staged its conquest of the Philippines.

Hong Kong, to the British, is more than a defensive outpost. It is British territory, to which they admit no valid Chinese claim. Hong Kong is a colony, owned by Britain and, like any colony, governed by British officials. It is an example of what is known as "colonialism."

Britain obtained Hong Kong by war more than a century ago. Since then Chinese have questioned Britain's right to keep the island, but they have made no attempt so far to regain it.

If Quemoy and Matsu should fall, however, Hong Kong is regarded as a probable next target for Communist attack. And American military officials suggest that Hong Kong would prove much more difficult to defend once those other offshore islands were lost.



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Hong Kong fell once, to the Japanese in 1941, and it was not until U. S. troops cleared the Japanese out of the Pacific islands they had seized that Britain was able to regain it in 1945.

Priceless colony. Now Hong Kong is one of the last—and richest—of Britain's once-numerous colonies.. It is a fabulous place. It is one of the world's biggest and busiest ports, a trade and banking center for the entire Far East. Its industries produced 110 million dollars' worth of goods for export in 1953. It has poured rich profits into British coffers for several generations.

The story of Hong Kong is a colorful chapter in the history of British empire building. When Britain fought China in a minor conflict called the "Opium War" in 1839-41, Hong Kong was only a hilly, barren island, 11 miles long and 2 to 5 miles wide—a desolate pirate haunt. Between the island and the mainland, however, lies a magnificent harbor of 17 square miles. Some Britons saw its potentialities, and, when defeated China made peace, the island was ceded to Britain.

After losing another war with the British in 1860, China ceded to Britain three square miles on the Kowloon Peninsula, part of the Chinese mainland, just across the harbor from Hong Kong Island. Then, after losing yet another skirmish in 1898, China gave Britain a 99-year lease on 355 square miles more of land around Hong Kong.

Altogether, these acquisitions through military action give the colony of Hong Kong only 390.5 square miles in area. This area cannot grow enough food to feed itself. Level land is so scarce that residents have had to blast out hillsides, and even fill up part of the harbor, to find living space. There is a perennial shortage of fresh water.

What makes Hong Kong important is its strategic position. It sits astride the sea lanes, commands a trading gateway into the vastness of China.

With these advantages, Hong Kong grew and flourished. As a free port, it handled a large part of the trade between East and West. Industries were developed to supplement its trade. Under Japanese occupation during World War II, Hong Kong suffered heavily. But it bounced back rapidly after the war.

Huge trade center. Today, Hong Kong is a bustling industrial complex of 2.25 million population. Shipyards, factories, offices and homes crowd all available space.

Cotton textiles are Hong Kong's chief local manufactures, but it also produces chemicals, plastics, enamelware, flashlights, rubber shoes and other

(Continued on page 44)

WHERE PROGRESS GOES SKY HIGH
St. Louis
A Great Place to Do Business
Major airline routes meet in St. Louis . . . where the nation's sixth ranking air terminal has realized a steady increase in air traffic since World War II. Last year the number of local air passengers increased to nearly 100,000; air mail handled was almost 6 million pounds; air express, close to 8 million pounds; air freight, over 10 million pounds. To keep pace, more than $15,000,000 is currently being spent on major construction projects at the Lambert - St. Louis Airport . . . St. Louis, nearest major city to the U. S. center of population, is at the center of activity in business.
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Your association with First National Bank in St. Louis not only speeds your business transactions . . . it identifies you, as well. And with information provided by First National—whose directors hold key positions in St. Louis business—you'll find it's easier to plan ahead. First National is at the center of activity in St. Louis!
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The check he couldn't face

How the forged endorsement on a $73 check led us to discovery of a $6300 payroll fraud

(Based on Company File #117044)

One day recently, a former employee strode into our treasurer's office. Where was his vacation allowance money? He'd been waiting six months and hadn't received it.

We got out the records. All in order. Check issued . . . cashed . . . filed. We showed him his signature on the back of the check.

When he said that wasn't his writing, we called in the payroll supervisor, a man who'd been with us for years. Could he explain what had happened?

He couldn't. And he was so distressed by the situation that he collapsed and had to be sent home. We immediately began an investigation.

Our supervisor, we found, had been working a slick scheme. He was the one who had taken the check in question, forged the endorsement and pocketed the money. He'd diverted other checks, too. And for months he'd kept the names of many former employees on the regular payroll, and appropriated their "pay" as the checks were issued.

We determined that he'd stolen $6,323.94 before being tripped up. Fortunately, the entire loss was covered by our Hartford Blanket Fidelity Bond.

Protect *your* firm against the risk of financial loss caused by employee dishonesty. Get a Hartford Blanket Fidelity Bond. It covers all employees alike; there's no reason for any worker to feel that you're pointing a suspicious finger in his direction.

Your Hartford Accident and Indemnity Company Agent or your insurance broker will be glad to give you complete details of this essential protection. Call him—*now*.

Year in and year out you'll do well with the

Hartford

Hartford Fire Insurance Company
Hartford Accident and Indemnity Company
Hartford Live Stock Insurance Company
Citizens Insurance Company of New Jersey . . . *Hartford 15, Connecticut.*
Northwestern Fire & Marine Insurance Company
Twin City Fire Insurance Company . . . *Minneapolis 2, Minnesota*

light goods. Big fishing fleets ply its surrounding waters.

Trade, once chiefly with China, has had to be diversified since the Communists took over the mainland. For a time, in the Korean war, there were American complaints that Hong Kong traders were evading the embargo on export of strategic goods to Red China. The British cracked down, and now, except for some smuggling, the situation is generally regarded as fairly satisfactory.

Four fifths of Hong Kong's trade is now with the outside world, only one fifth with mainland China. The readjustment is working well enough, at least, so that new investments still are being poured into Hong Kong.

Hong Kong may have more millionaires than any other city in the world. The harbor city of Victoria glitters with visible signs of wealth. Its gay night life makes it a favorite of tourists and sailors.

—United Press

HONG KONG'S RED BORDER
In the British view . . .

Britain's rule: firm. Behind this gaudy façade, however, is much poverty. Swarms of refugees from Red China have caused a shortage of housing, serious unemployment.

Although Chinese make up 98 per cent of Hong Kong's population, conduct most of its business and own much of its wealth, the Government, in the colonial tradition, remains completely in the hands of the British. The Chinese have no vote.

"There is no demand for constitutional advance among responsible sections of the community in Hong Kong," says a recent official British publication, "and no major constitutional reforms are contemplated at the present time."

This same British publication calls Hong Kong an "outpost of freedom." It compares Hong Kong with West Berlin as a "window of Western democracy."

Politically, Hong Kong preserves a

delicate neutrality. Both Communists and anti-Communists can have their say and transact business. British call Hong Kong an "example of coexistence."

"Here," the British say, "on the fringe of Communist China, the Chinese are welcome to observe the pattern of the free world and to compare it with what they find when they recross the frontier."

Again quoting the British view as expressed in an official publication:

"Hong Kong serves the whole Western world by being the focal point of trade, by being a steadying influence in an area where little else is stable."

American officials sometimes suggest that, if stability is what the British want, they could contribute to stability by supporting the U. S. position in Quemoy and Matsu. Those islands, in Chiang Kai-shek's hands, are regarded by Americans as also having a stabilizing influence by diminishing Communist chances of invading Formosa. And, if those islands fall, Americans point out, the British position in Hong Kong becomes more vulnerable, more unstable.

—Martin in the Houston Chronicle

"CHARITY BEGINS AT HOME" . . . Hong Kong is different

Hong Kong for years has been regarded as a British fortress. About 20,000 British troops are stationed there, with air and naval support. It would be no easy conquest.

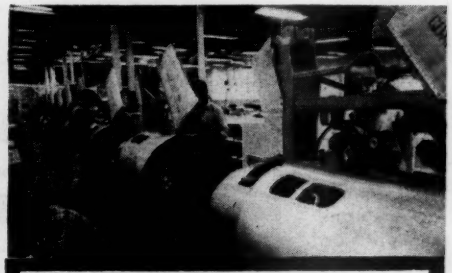
Many military experts doubt, however, that Hong Kong could be held against a major attack without U. S. military support. And they point out that Formosa, in enemy hands, would endanger the American line of defense in the Pacific that makes aid to Hong Kong possible.

That is why many American officials fail to understand Britain's attitude on offshore islands such as Quemoy and Matsu. Hong Kong, these officials point out, is an offshore island, too.

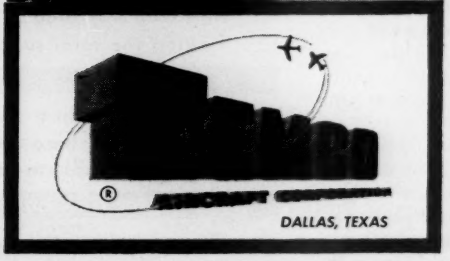
These combat twins can score a smash hit!

REPUBLIC'S F-84 "THUNDER TWINS" — TWO MORE VITAL MILITARY AIRCRAFT WITH MAJOR COMPONENTS by **TEMCO**

These twins complement each other ideally. Thunderflash, the photo reconnaissance twin in the foreground, locates the targets. Thunderstreak, the A-bomb carrying fighter-bomber, smashes same. Designated RF-84F and F-84F, these combat twins are two of the Air Force's most versatile planes. In addition to their regular missions, the Thunderflash has a special assignment. It has been equipped to be carried kangaroo fashion in the belly of a B-36 and launched or retrieved in the air. Thus, fighter speed over the target is coupled with bomber range — a formidable combination. Republic keeps production schedules smooth on these planes by subcontracting several assemblies, including rear fuselage sections of both, to TEMCO. Work on these vital planes is reinforcing TEMCO's well established reputation for producing a quality product, on schedule, at one of the lowest costs in the industry.



Thunderstreak and Thunderflash rear fuselage sections nearing completion on TEMCO assembly lines.



Plants at:

DALLAS,
GARLAND,
GREENVILLE,
TEXAS

Too Much Wheat, More Coming

2 Bushels in Sight for Every 1 to Be Used

In a few weeks, farmers will start harvesting a new wheat crop.

Drought, lower prices, less planting—in spite of these, the prospect is for a lot of new grain on top of a huge surplus.

People would have plenty of flour and bread for a whole year, if no wheat were to grow. But it is growing, and the Government is trying to figure out what to do about it.

Wheat, the Government's worst surplus problem, has Agriculture Department officials wringing their hands.

Agriculture Secretary Ezra Taft Benson points out:

- U. S. taxpayers now have more than 2.5 billion dollars invested in surplus wheat. This is more than a third of all the money that the Government has tied up in surplus farm products.
- Even if farmers didn't harvest a single grain of wheat this summer, all requirements for flour, livestock feed and export, for a full year, could be met by unloading Government bins.
- But there is another crop, estimated at 850 million bushels, on the way.

Nature, Government fail. Despite drought and a reduction of 16 million acres in plantings for the 1954 crop, the surplus jumped from 560 million bushels to 903 million bushels. Acreage for this year's crop was cut to 55 million acres. Yet officials expect little, if any, reduction in the stockpile.

The plan of flexible price supports, which goes into effect on this year's crop, is less effective on wheat than on most farm products. "Price flexing" is based on the assumption that farmers will shift to more profitable crops when the price goes down on the crop they are growing, and that lower prices will increase consumption of the original crop.

But the wheat-belt farmer, unlike his cousin in the corn belt, has few crops to which he can shift. So he is less likely to cut back production.

And not much increase in wheat consumption is expected to result from the drop in support price from $2.24 a bushel last year to $2.06 a bushel this year. The lower price probably will not even show up in the bread the housewife buys—because only 3 cents' worth of wheat goes into each loaf.

Another factor is that the 18-cent drop in price support still will not put wheat low enough to encourage farmers' feeding it to livestock in preference to corn. However, in 1956, if there is no change in the present farm law, support price will drop to around $1.80 a bushel. This is expected to bring increased feeding of wheat to livestock.

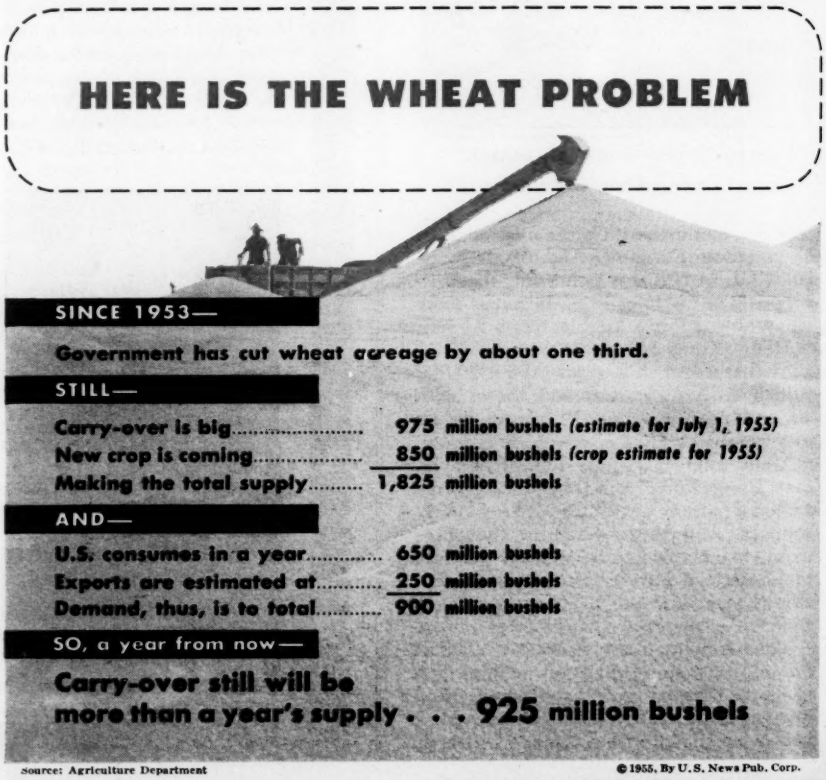
Secretary Benson feels that one of the most important long-term solutions to the wheat problem is to get the price down low enough to bring about the use of 200 to 300 million bushels for livestock feed each year. Many wheat farmers agree with him, but have another plan to achieve this result. It is commonly known as the "two price" plan.

Briefly stated, the "two price" plan would give farmers a premium on that part of their production used by U. S. flour mills. Each wheat farmer would get an allotment in number of bushels for this purpose. Then he could grow as much additional wheat as he wished, taking a chance on the price it would bring for livestock feed or export.

But corn-belt farmers object to letting wheat compete with corn for the feed market. And Government trade officials say U. S. would be accused of "dumping" wheat on the world market if farmers got one price for flour at home and a lower one for export grain.

It was drought in the 1930s that solved for Secretary of Agriculture Henry A. Wallace the problem of what to do with 375 million bushels of surplus wheat. And World War II took care of 1942's surplus of 630 million bushels.

Those who would minimize the wheat-surplus problem draw a parallel between these previous situations and the current drought and the uncertainties of the atomic age. However, Agriculture Department officials feel that having two bushels of wheat on hand for every bushel that will be needed for normal use is carrying the proposition of reserve wheat too far.


HERE IS THE WHEAT PROBLEM
SINCE 1953—
Government has cut wheat acreage by about one third.
STILL—
Carry-over is big..... 975 million bushels (estimate for July 1, 1955)
New crop is coming..... 850 million bushels (crop estimate for 1955)
Making the total supply..... 1,825 million bushels
AND—
U.S. consumes in a year..... 650 million bushels
Exports are estimated at..... 250 million bushels
Demand, thus, is to total..... 900 million bushels
SO, a year from now—
Carry-over still will be more than a year's supply . . . 925 million bushels
Source: Agriculture Department
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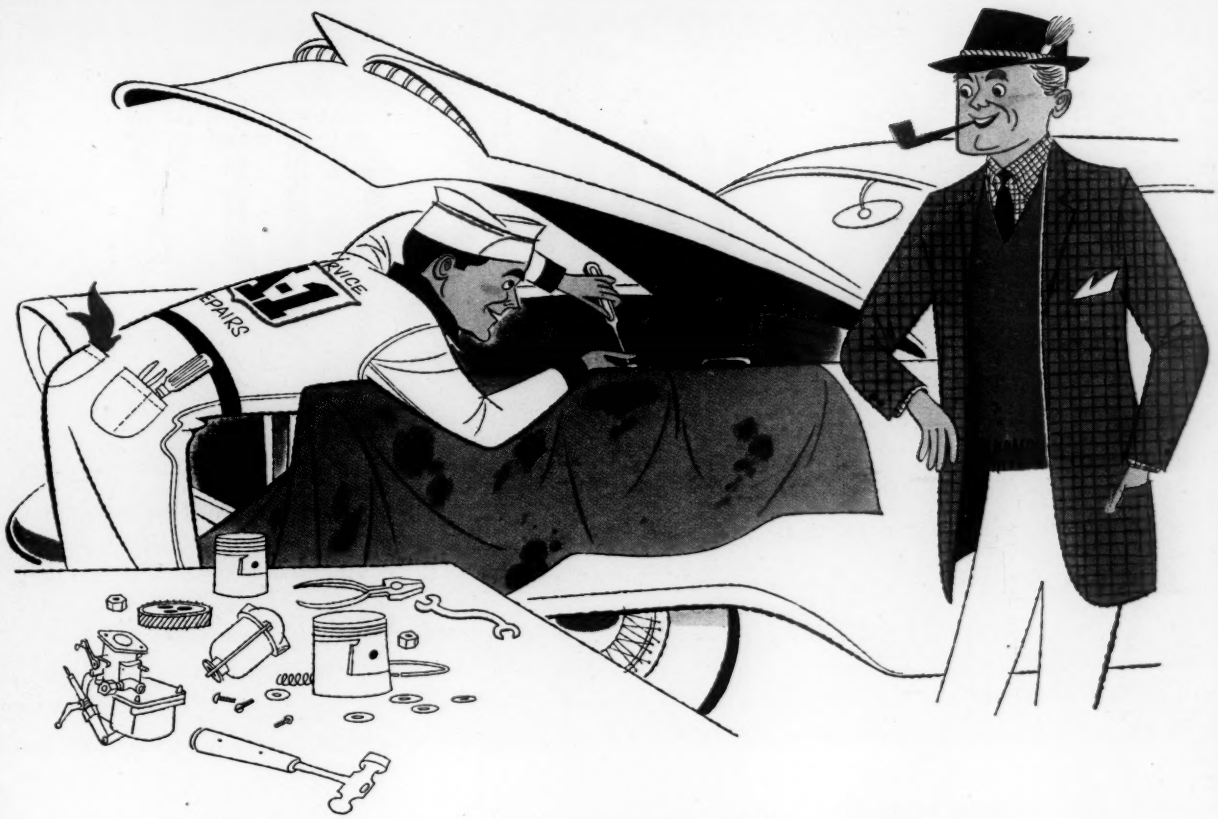

. . . see a specialist for special steels, too

Anyone can fill a thirsty gas tank—but to hone down a crankshaft or diagnose a sick timing gear, you want an expert. It's the same with *special steel* problems. For fast, practical help you need a *specialist.*

That's Crucible. For Crucible *specializes* in steels for special purposes. You'll find Crucible *Tool Steels* that cut and form other steels . . . *Alloy Steels* that withstand heavy impact or severe stress . . . *Stainless Steels,* the tough, beautiful metal for home and industry . . . and dozens more, *prescription-made for particular jobs.* These *special steels—plus* the wealth of experience behind them —are quickly available to you now.

Where? From your local Crucible warehouse or branch office. So for helpful advice, *and* the special steels you need . . . *call Crucible. Crucible Steel Company of America, Henry W. Oliver Building, Pittsburgh 30, Pa.*

CRUCIBLE first name in special purpose steels

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NEW YORK CITY IN TROUBLE

New York still is America's biggest, most glamorous city. But something is going on there that is important to the whole U.S.

The metropolis is shrinking. Middle-class people are leaving. Newer cities are breaking New York's grip on commerce and money. World's richest city is in the red.

Other cities face similar problems. But New York's troubles are bigger. Some are special.

In this article you get a careful survey of what is happening to New York, and, on pages that follow, you can read what Mayor Robert F. Wagner, Jr., has to say about the big town's future.

NEW YORK CITY

New York City is in trouble. The big, glittery town is slipping in the statistical tables on population, trade and finance. The figures show it is losing ground to other cities as a place to live, work, make money. "Gotham," it seems, is no longer the only answer to young America's dreams of success.

From New York City officials and boosters you will get a vigorous argument against this conclusion. They will tell you that the statistics conceal much of the story, that New York City really is expanding and prospering in its own way, that a good many of its troubles are not its own fault, or are little different from those of other cities.

It is true, city planners say, that some of New York's difficulties are the same that any big, older city faces when it outgrows its central area, wears out its essential facilities, acquires a new kind of population.

However, in New York City these troubles are many times enlarged because of the big town's whopping population and its tight physical limits. Then, too, New York City has some special problems because it is a special kind of place.

What is really going on? For one thing, the arithmetic seems to show that the big town's glamour and fascination are rubbing off for a lot of the people who came to Manhattan with stars in their eyes 10, 15, 20 years ago.

Quite a few of these people are moving out of New York City. New people, of course, keep coming in, and a big baby crop—East Side, West Side and all around the town—keeps the over-all census figure rising slowly.

Nevertheless, the net exodus from New York City over the last 14 years adds up to 200,000 people, according to figures compiled by the City Planning Commission and Regional Plan Association, a nonprofit research group serving New York City and the tri-State region around it.

This is a historic reversal of the population trend. During the 1920-30 decade, the excess of people moving into the city over those moving out was 750,000.

What else is happening?

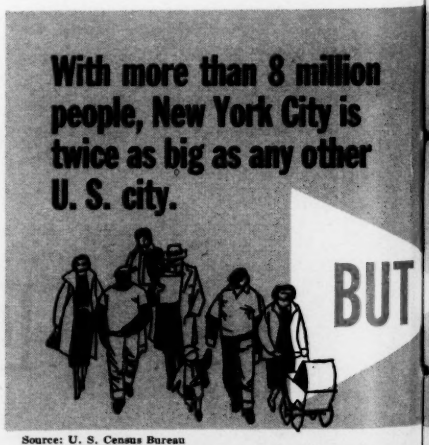
The City of New York, more than 4 billion dollars in debt, can't get out of the red.

The port of New York, America's natural gateway to the rest of the world, is losing trade to other harbors, faces new losses to the St. Lawrence Seaway. In the first half of 1954, the port lost 19.3 per cent of the general cargo it handled the year before. Six other ports gained 7.3 per cent.

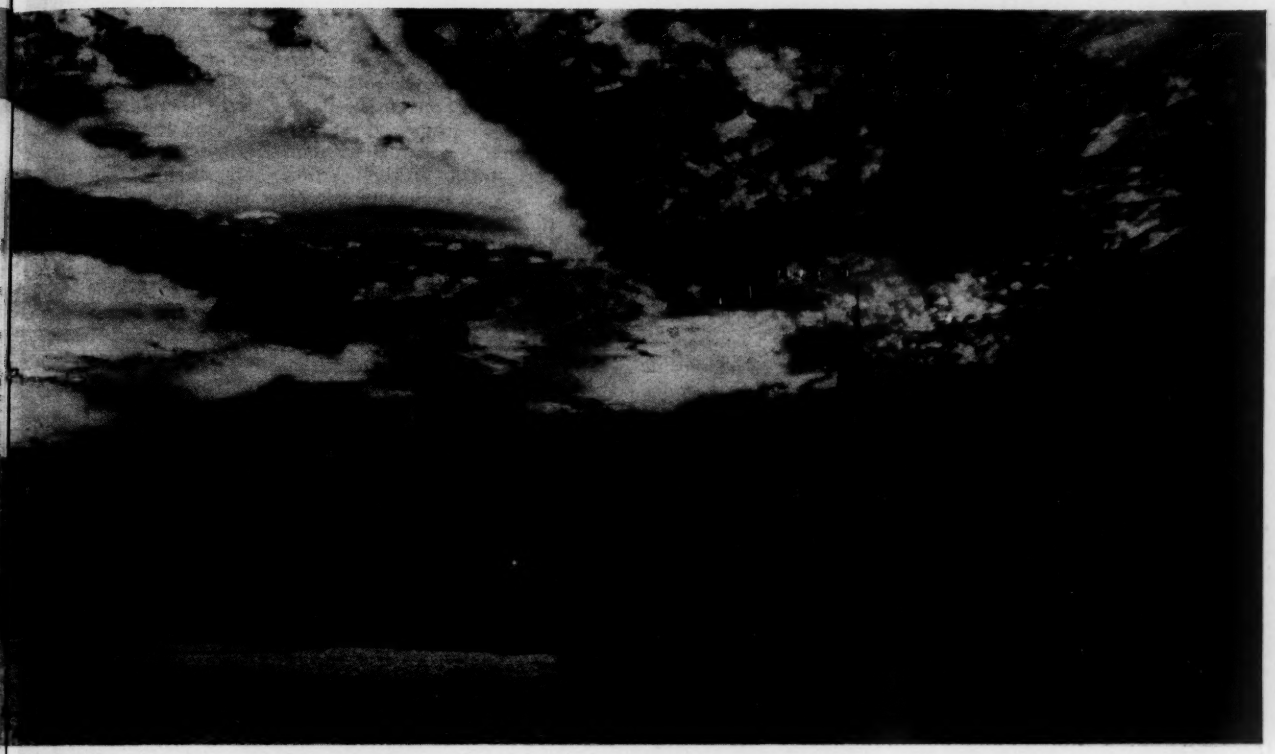
Wall Street, America's traditional Croesus, no longer has the tight grasp on the country's money it once had. Since 1940, New York City's slice of the principal bank deposits in the U. S. has gone down from 21.3 to 13.2 per cent. Western and Southern financial centers are big gainers.

There is a mass movement of middle-class people, retail business and industry to what used to be called the suburbs. New self-contained areas outside New York City limits—such as Nassau-Suffolk on Long Island, with 1.3 million people—have become cities unto themselves.

• **Shrinking giant.** With more than 8 million people now living in its five boroughs, New York City is by far the largest city in the country. It is more than twice as big as Chicago, nearly four times the size of Los Angeles or Philadelphia. It still is unchallenged as the country's major metropolis.



Source: U. S. Census Bureau



But New York City's growth from without has practically stopped. Only excess of births over deaths enabled it to lift its population by something less than 8 per cent between 1940 and 1953.

You can compare this lack of growth with cities at the other extreme of the census table: Los Angeles, up 39.9 per cent since 1940; Washington, D. C., up 24.2; Detroit, up 17.9; Baltimore, up 12.1.

True, some other American cities—Chicago, Philadelphia, Boston, St. Louis—do not show much population growth since 1940. These cities have their problems, too. But none of them faces the massive perplexities that confront New York.

The problems of any big city are compounded and accentuated in New York by the great mass of people, permanent and transient, living off the facilities of a small island area. All of the city's boroughs cover only 315.5 square miles. Manhattan, where nearly everything centers, is just 22.3 square miles.

Mass transit, sanitation, slum clearance, schools, the influx of nearly 500,000 Puerto Ricans since World War II—these are some of New York's big headaches.

Other headaches are the traffic congestion that is said to be costing New Yorkers over 1 billion dollars yearly; the stubborn increase in crime, despite emergency police efforts; the rising rate of people on the welfare rolls. About 278,000 persons were receiving public assistance in New York City at the end of 1954; about 200,000 were unemployed.

On the surface, New York City is rich, seems able to take care of itself. Income of its residents is 18.7 billion dollars a year. Real estate assessments are up to 21 billion. City taxes are heavy—$133.92 per capita in 1953, still higher now.

Yet revenue falls consistently behind spending. Mayor Robert F. Wagner now is looking for at least 105 million dollars

NEW YORK POPULATION GAINS ARE GETTING SMALLER

1920 to 1930, New York *grew by*. .**1,310,400,** *a gain of* **23 per cent**

1930 to 1940, New York *grew by*. . .**524,500,** *a gain of* **8 per cent**

1940 to 1950, New York *grew by*. . **437,000,** *a gain of* **6 per cent**

OTHER CITIES ARE GROWING FASTER

Between 1940 and 1953:

New York *expanded by*	**7.6** per cent, *to* **8,023,000**
Chicago *expanded by*	**7.9** per cent, *to* **3,665,000**
Los Angeles *expanded by*	**39.9** per cent, *to* **2,105,000**
Philadelphia *expanded by*	**9.0** per cent, *to* **2,105,000**
Detroit *expanded by*	**17.9** per cent, *to* **1,913,500**
Washington, D.C., *expanded by*	**24.2** per cent, *to* **824,000**

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NEW YORK CITY IN TROUBLE

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in extra revenue to make ends meet next year. Current spending budget is a record —about 1.6 billion dollars.

• **The new New York.** One thing leads to another when a city is in trouble. It is hard to say what comes first, or counts the most.

New York businessmen, however, say they are worried most about what they call "dilution" of the city's population: loss of middle-class families, gain in low-income people who cannot pay a fair share of the city's costs or support an expanding level of business activity.

Other cities know about the difficulties of suburban development at the expense of the central city, the deterioration of older neighborhoods, the influx of job seekers from other areas.

In New York City, because it is so big —and yet so small, geographically—the transition takes on real magnitude. To find room in which to breathe and grow, a New York family has little choice but to move out of the city—to Long Island, New York's Westchester County, New Jersey or Connecticut. In recent years, the people who are replacing these outgoing families are bringing new and different problems themselves.

Between 1940 and 1950, some three quarters of a million people, or 10 per cent of the 1940 population, left New York City. Since then the outbound movement has increased. From 1950 to 1954, the Regional Plan Association reports, "net out-migration"—excess of those moving out over those moving in—was at least 65,000.

In those four years, some 150,000 Puerto Ricans came to New York City and settled down in low-paid jobs, bringing the city's Puerto Rican minority to about 500,000.

What this can mean, by 1970, has been projected by the Department of City Planning. The Department estimates that, in the next 15 years, New York City will lose 720,000 white inhabitants, gain 914,000 Puerto Ricans and 484,000 "nonwhite" immigrants.

By 1970, about 28 per cent of the city's population will be either Puerto Rican or "nonwhite." In 1950, the proportion of Puerto Ricans and "nonwhites" was 12.7 per cent.

The bulk of the Puerto Ricans are crowded into tenements on the city's West Side, in some cases 10 or more to a room. The manner in which they live leads, not infrequently, to mass tragedies: deaths of whole families in fires, or from the fumes of gas heaters.

These newcomers have acute language difficulties; there are 50,000 children in the public schools who are learning to speak English.

Even if it wanted to, New York City couldn't keep the Puerto Ricans out. They are citizens of the United States, entitled to unrestricted entry into this country. They have every right to look for the homes and jobs in New York City that they can't find on their crowded island.

But, business people say, the Puerto Ricans don't put much in the city's tax kitty, don't buy much merchandise, don't read the big newspapers. They do add to the city's burdens of sanitation, hospitalization, housing and transportation.

—A. Devaney

SUBURB OF NEW YORK
. . . a determined flight from the city streets

• **The outward bound.** Not so many years ago, young middle-class families were content to bring up their children in the quieter streets of the five boroughs.

Today, when these people can afford to buy a house instead of renting a scarce, high-priced apartment, they go outside the city limits.

Mass expansion in suburbia, of course, is not limited to New York. Almost every big city is spilling over its limits. Los Angeles and Washington are prime examples.

But nowhere, city planners say, has the flight from city streets been so big, so fast, so determined as in New York. Nowhere has it had so profound an effect on the parent city. Other big cities, the experts say, seem to be able to grow outward without shrinking within.

In the last four years, the metropolitan region outside New York City has added 898,000 people. By 1975, the Regional Plan estimates, the city and environs will have 19.2 million inhabitants. But 86 per cent of the increase will be outside the city limits.

The new suburbanites around New York are setting a new pattern of metropolitan living. There is a distinct trend away from commuting to the big city. There is a tendency for people living in the suburbs to work there, or even for those living in the city to commute to the suburbs, before moving there.

Of the half-million new jobs in the New York region since the war, 82 per cent were in the suburbs. Nassau County on Long Island, together with its hinterland, Suffolk County, boasts 300,000 jobs of its own.

Nassau-Suffolk is the most spectacular of the new "urban areas" around New York City. It is completely self-sufficient, with a thriving concentration of light industry, elaborate retail services and nearly 150,000 new houses built in the last five years.

The area has a phenomenally successful newspaper, *Newsday*, published by Alicia Patterson. Miss Patterson is the daughter of the founder of the New York *Daily News*, the late Joseph Medill Pat-

terson, and the wife of Harry F. Guggenheim.

Newsday, only 14 years old, has a circulation of 235,000 and runs more advertising lines than any New York City daily.

• **Business outside.** In most cities, business and industry do their expanding in the suburbs. But, in the New York area, businessmen say, the shift from city to environs has had a bigger impact on the city than in most places.

Fifty years ago, 62 per cent of the manufacturing jobs in the New York area were inside the city. Now more than half are outside.

In his midyear report in 1954, Mayor Wagner noted that manufacturing employment was down 10 per cent in the city from the previous midyear. More than a third of the total decline was in New York City's most important industry, garment manufacturing. Another sign of the trend: of the 2,600 factories built in the New York region between 1946 and 1950, only 54 were in Manhattan.

Industry, moving out, wants cheaper space, more room to build one and two-story plants, escape from city taxes. Now it finds a suburban labor pool.

New York retailers, as early as 1948, found their suburban sales increasing at three times the rate of their city sales. Since then, dozens of suburban branches of the big New York department stores have gone up. Some New York stores, most recently John Wanamaker's, have gone out of business in New York City.

A good many New York retailers blame the decline in business in the city on "dilution" of the city population by low-income, Spanish-speaking elements. Some newspaper publishers, too, are inclined to ascribe their recent losses to the fact that fewer city people with money to buy advertised goods are reading the New York newspapers. Hence, both circulation and advertising are falling off.

The New York dailies, between 1947 and 1953, dropped in city-zone circulation from 4,297,868 to 3,893,341—a loss of 10 per cent. In their retail-trading zone outside the city, the loss was 8 per cent.

Moreover, in the first nine months of 1954, five of the seven Manhattan papers had fewer advertising lines than the previous year. Several wound up in the red for 1954.

• **Ships and money.** New York City's losses in the recent past were not all to its own suburbs. Other cities across the country have cut into the big town's trade and finance, business analysts say.

The port of New York and Wall Street

THE CITY'S POPULATION IS CHANGING

NEW RACIAL PATTERNS ARE FORMING

IN 1950	Number	Per Cent of Total
White	6,889,894	87.3
Non-White	755,757	9.6
Puerto Rican	246,306	3.1

IN 1970	Number	Per Cent of Total
White	6,170,000	72.0
Non-White	1,240,000	14.5
Puerto Rican	1,160,000	13.5

From Race and Ethnic Survey by New York City Department of City Planning

AND—

THE BIG GROWTH IS IN THE SUBURBS

	Population Change, 1950-54
Manhattan	No Change
Brooklyn	No Change
Queens	UP 9.2%
Bronx	UP 4.0%
Richmond	UP 7.0%
All 5 city boroughs combined	UP 2.7%
Suburban areas around New York	UP 17.1%

Basic Data: U.S. Census Bureau, Regional Planning Association, New York City Department of City Planning

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NEW YORK CITY IN TROUBLE

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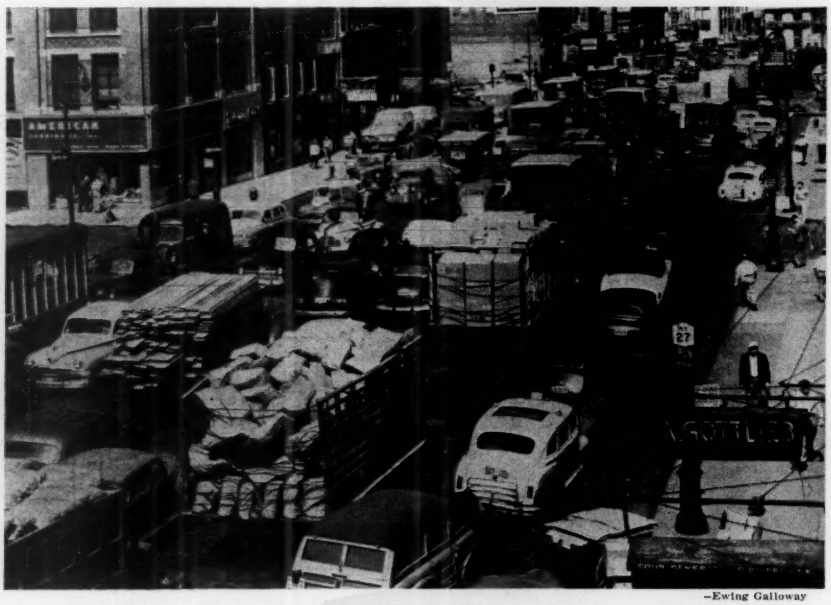
are the examples most frequently cited as losing a good deal of their grip on the nation's commerce and money.

The New York waterfront still dominates the sea-borne trade. But it does not attract the same share of U. S. tonnage that it did 30 years ago.

Ports such as Baltimore, New Orleans, Galveston, Philadelphia have come up. New York's slice of the cargo business is down.



—Ewing Galloway

THE DAILY TRAFFIC JAM
. . . a stream of 1.4 million vehicles

In 1923, for example, the New York waterfront was handling 27.1 per cent of total ocean-borne exports, in terms of tons. By 1953 the percentage had shrunk to 11.5. Imports, too, were off in the same period—from 30.2 to 24 per cent.

General cargo is considered a New York specialty, as distinguished from bulk cargo. But, in the first six months of 1954, New York's share of the country's port business in general cargo dropped from 34.2 to 27.1 per cent as compared with the previous year.

Port officials blame labor troubles for most of the 1954 decline, and for some of the loss in previous years. Other reasons given are obsolescence of piers and inadequacy of waterfront approaches, traffic congestion, crime and racketeering on the waterfront, and freight-rate disadvantages.

New difficulty is coming up. Some experts have estimated that the port of New York stands to lose up to 19 per cent of its business to the St. Lawrence Seaway, once that is completed. Others are more optimistic, believing New York will be able to deliver goods faster than inland ports.

• Ebb of finance. In finance, Wall Street remains the most important single money center in the United States. But it no longer has its own way with the nation's business.

Back in 1939, New York banks held 18.4 per cent of the country's loans and investments, 28.8 per cent of its cash assets, 21.3 per cent of its deposits. Now the big city's share of all these is down substantially: to 13 per cent of loans and investments, 16.4 per cent of cash assets, 13.2 per cent of deposits.

Big Wall Street names are not as impressive as they used to be, out in the country. Most people have heard of J. P. Morgan & Company, and some used to think it ran the country. Today, J. P. Morgan is No. 25 on the list of the country's biggest banks. Two banks in Detroit, the National Bank of Detroit and The Detroit Bank, are bigger.

Big shift in deposit money is to the South and West. According to a study by M. A. Schapiro & Company, of 1 Wall Street, "the growth and diffusion of commercial-bank deposits throughout the nation since 1940 present a spectacular picture. . . . Investor interest in banks is no longer concentrated in the traditional money centers of the East."

Deposit gains in some Western and Southern cities are spectacular. San Francisco and Detroit banks each went up 289 per cent; Atlanta, 368 per cent; Houston, 345 per cent; Salt Lake City, 420 per cent. Against these, New York City deposits gained only 59 per cent.

New York City banks no longer hold the bulk of interbank deposits, no longer act as central banks for the country. Rather, they function as central banks for big corporations.

Between 1940 and 1953, New York City banks declined 22.3 per cent in holdings of domestic bank balances. Their proportion of the national total fell from 42.7 per cent to 27.2 per cent. Chicago banks, by contrast, gained 24.2 per cent in total domestic bank balances held. Banks elsewhere gained 58.4 per cent.

• Inside New York. Of course, there's still a lot of money piled up in Wall Street, and elsewhere in New York City, too. The city keeps trying to take new bites of it in taxes.

Even so, New York City cannot pay its debts, is always engaged in a quarrel with the State of New York for a bigger share of the revenue it helps to raise, or for authority to raise more money for itself.

Prime example of New York City debt is the transit system of subways and buses. The system is in the red nearly 1.3 billion dollars. Now that the famous New York nickel fare has become 15 cents, the transit system is supposed to be paying for itself.

However, the Transit Authority finds that in the first half of the current fiscal year, the operating deficit was some 4.7 million dollars. Main reason given: not enough fares.

What's the trouble? Why does the city keep so deep in the red?

Luther Gulick, the City Administrator, says New York is by no means the biggest per capita spender among American cities, although its total spending overshadows them all.

He puts the blame on the heavy burden of debt inherited from past administrations, on the city's extraordinary problems of transit, sanitation, sewage disposal, slum clearance, water supply, education—all inherent in the size of New York.

Mr. Gulick cites, too, the fact that many of the more prosperous daily users of municipal facilities live in the suburbs, duck city taxes.

(Continued on page 54)

A penny saved is a penny earned—*maybe!*

Any businessman knows that
saving a few pennies here
can cost a few dollars there.

We've all seen it demonstrated time and again—an inferior product that won't do the job can wind up costing money. As a matter of fact, this old business axiom is being proved in many company washrooms right now.

If the washroom is stocked with low-priced paper towels that go to pieces when wet . . . or if the towels are too stiff to soak up water . . . *then they're not saving a cent.* People will grab a fistful of such towels every time they wash up.

You can expect lower consumption with a quality towel

ScotTissue Towels are not the lowest priced towel on the market, but *one ScotTissue dries two hands.* People don't have to reach for a second towel. This means consumption is lower—and so are your towel bills.

The ScotTissue Towel combines many qualities—such as fast absorbency, wet-strength, stretch, softness and whiteness—which mean much more towel for your towel-buying dollar.

Scott boosts employee morale

People buy more Scott products for their own use than any other brand. So naturally it's the brand they like to see provided where they work. According to a recent survey, good washroom facilities are one of the four main essentials for good employee relations.

Your nearest Scott representative can tell you why ScotTissue Towels will give you lowest towel consumption, greatest employee satisfaction, and lowest towel costs, all things fairly considered. Also, Scott offers a "Planned Poster Program" which you will find helps to cut down consumption, and promote cleanliness in your washrooms. This program can be yours without obligation—write to Scott Washroom Service®, Scott Paper Company, Dept. US-3, Chester, Pa.

It's good business to use

SCOTTISSUE® TOWELS

NEW YORK CITY IN TROUBLE

. . . continued from page 52

Most of all, however, Mr. Gulick and Mayor Wagner complain about the limitations that New York State imposes on the big city's power to tax.

New York City, Mr. Gulick contends, is "in a strait jacket twice as tight" as any other city in the State. He cites the limitation of 2.25 per cent of assessed valuation which applies to New York City real estate levies.

This is an over-all limitation, because New York City has but a single taxing unit. Other cities in the State, Mr. Gulick says, can get their percentages at least twice as high through city, county and school-district levies.

● **Taxpayer story.** You get a different viewpoint, however, from businessmen. They say that per capita real estate taxes in New York City—more than $80—are the highest of any major city in the world. Also, that the real estate tax gets padded to $3.99 per $100, once borough and debt charges, not classified as taxes, are added to the basic rate.

Moreover, New York City can and does levy other taxes, threatens to add still more.

Biggest of the non-real-estate taxes is the 3 per cent retail-sales tax. Revenue from this tax in 1953-54 was 205 million dollars. Then there is a general business and financial tax on gross receipts—72 million dollars.

In the past there have been proposals to extend the sales tax to "performance of services," an almost unlimited field. Thus far, business groups have fought off this extension.

Now, however, Mayor Wagner wants State permission to increase the business tax. At present the gross-receipts tax is one fifth of 1 per cent on general business, four fifths of 1 per cent on financial business.

The mayor wants to be able to raise this to one fourth of 1 per cent and a full 1 per cent, respectively.

Big objection from businessmen to this tax is that the city tries to apply it to services "passing through" New York City offices, even though the business originates elsewhere and the selling company is domiciled in another city.

Recent study by a New York State legislative committee shows that city taxes have been a major factor in the movement of business out of New York City. The committee studied the cases of 42 companies which had migrated from New York during 1952 and 1953. Fifteen reported that local taxes were the main thing that decided them to go elsewhere.

Mayor Wagner and his aides deny vigorously, however, that the taxes are onerous or unfair, considering the services that the big city provides.

● **Way of living.** Some privately employed planners believe that the city's lack of progress, or actual deterioration, reflects the conditions under which New York's millions live and work.

New York is a city of renters, of apartment dwellers. Yet, with a few notable exceptions, there has been little apartment building for middle-income families since the war.

Main exceptions are Metropolitan Life buildings such as Stuyvesant Town—8,755 units at about $22 per room per month, and Peter Cooper Village—2,495 units, around $30 per room, on the lower East Side of Manhattan. Modern developments such as these have long waiting lists.

Elsewhere in Manhattan, you can find luxurious river-view apartments in Sutton Place or East End Avenue starting at $60 to $80 per room. At the other end of the scale there is slum-clearance housing going for as low as $9 to $16.50 a room.

Some other new units are available in between, but the great bulk of apartment housing in the city consists of hundreds of blocks of antiquated buildings, brownstones, tenements, operating under New York State rent controls.

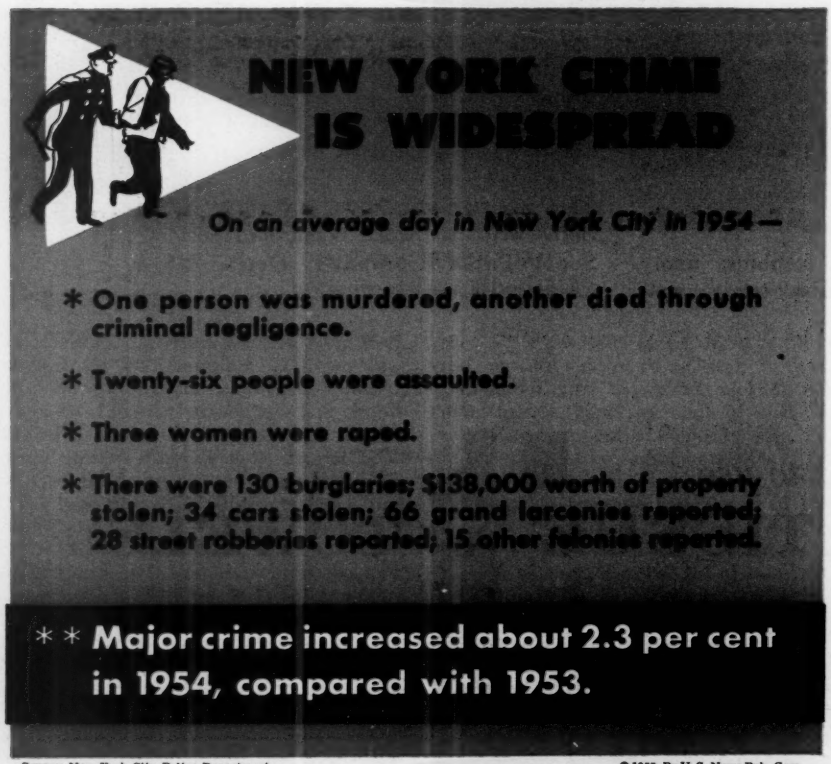
Dozens of cross-town streets in upper Manhattan, in residential areas not long ago considered respectable, are littered with garbage and refuse. Even so, New York has been spending nearly 50 million dollars annually to remove garbage, clean the streets.

Speculative builders show little interest in middle-class housing in the older parts of the city. Costs are such that the most economical builder says he must build to rent at from $28 to $45 a room. The need, planners say, is for apartments renting at from $20 to $22 a room.

The Citizens Housing and Planning Council says the home-building rate in New York City after World War I was 107,000 units a year. Since World War II the rate has been about 29,000 per year. Today, 70 per cent of the city's dwelling places are more than 35 years old.

Paradoxically, mid-town Manhattan is having a boom in office building. Right now 13 skyscrapers, involving 3 million square feet of space, are going up. There

(Continued on page 56)


NEW YORK CRIME IS WIDESPREAD
On an average day in New York City in 1954—
* One person was murdered, another died through criminal negligence.
* Twenty-six people were assaulted.
* Three women were raped.
* There were 130 burglaries; $138,000 worth of property stolen; 34 cars stolen; 66 grand larcenies reported; 28 street robberies reported; 15 other felonies reported.
** Major crime increased about 2.3 per cent in 1954, compared with 1953.

Source: New York City Police Department

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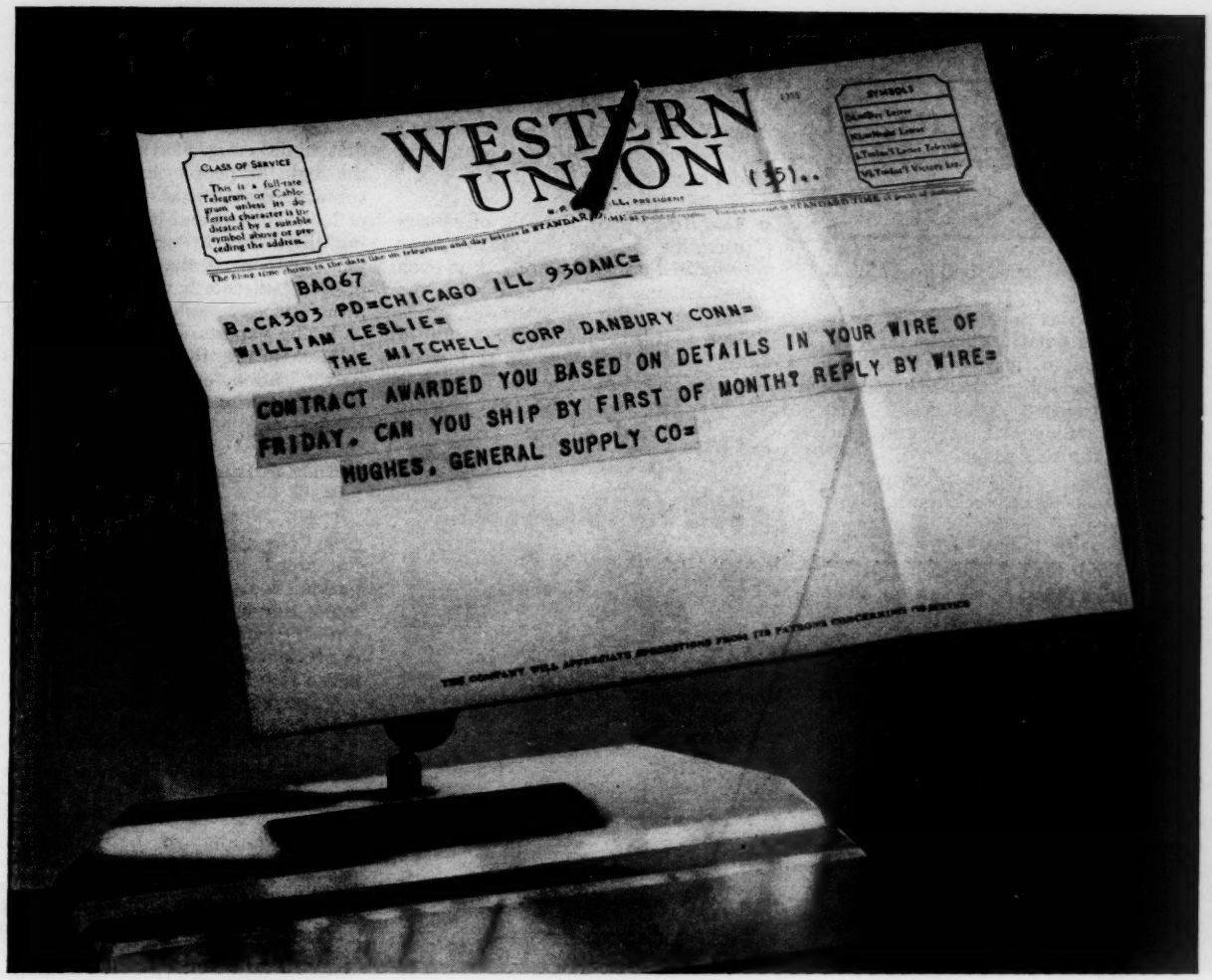

WESTERN UNION
BA067
B.CA303 PD=CHICAGO ILL 930AMC=
WILLIAM LESLIE=
THE MITCHELL CORP DANBURY CONN=
CONTRACT AWARDED YOU BASED ON DETAILS IN YOUR WIRE OF
FRIDAY. CAN YOU SHIP BY FIRST OF MONTH? REPLY BY WIRE=
HUGHES. GENERAL SUPPLY CO=

Why a telegram makes your message very important

YOUR MESSAGE on a telegram stands out like a match in the dark. It says, "I'm important!" in a voice too urgent to be ignored.

Note the "Reply by Wire". It's a request that won't be missed... won't be forgotten... when 2-way speed is a *must.*

No wonder busy executives use telegrams to make sales, close deals, arrange appointments, submit prices and above all, to get facts straight... whatever their type of business.

Isn't it time *you* made telegrams a habit?

when it means business **it's wise to wire**

WESTERN UNION

GET THE ANSWER... GET IT FASTER!

Always ask for a reply by wire. You get telegraphic speed both ways.

NEW YORK CITY IN TROUBLE

. . . continued from page 54

are plans for 11 more buildings, of 6 million square feet.

Price tag on this space in the sky gives you an idea of what it costs to do business in Manhattan. The new offices rent at $5 to $9 per square foot per year. A 36-story building on Park Avenue is assessed at 20 million dollars, 4 million of which is on the land alone.

Existence of a skyscraper boom, at a time when housing construction is at low ebb, is explained by the need of many big companies for modern office space in order to hold their white-collar staffs. Besides, builders say, much existing office space in the city is antiquated, should have been replaced years ago.

• **Schools wanted.** If you live and work in New York, bring up a family, you have some other frustrations that probably wouldn't be so great in another city. One is education.

New York City's public schools, authorities say, are apt to follow New York neighborhoods in obsolescence. A strenuous effort is being made, however, to catch up with new building, rebuilding and maintenance. Current program calls for 25 new schools to cost more than 100 million dollars.

Nevertheless, school officials have marked down 120 of the city's 900 public schools as antiquated. Total overload on one day in 1954 was 68,363—out of 900,000 school children.

That doesn't mean all the existing schools are overcrowded, or even full. Movement of younger families out of the older sections of Manhattan, Brooklyn and the Bronx, into outlying areas of Queens or Staten Island, has worked a pattern of underoccupied schools in the older areas, jam-packed schools in the new districts. For example, on the day of the 68,363-pupil overload, there were 123,130 extra seats in the wrong schools.

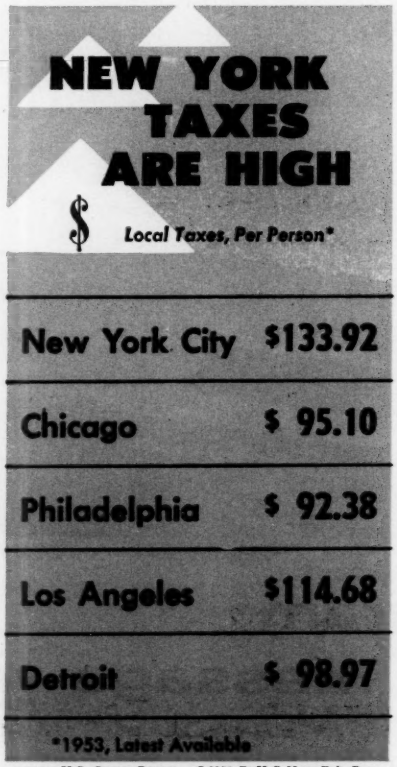
School builders thus are having to chase the shifting population, trying to build new schools where the people are moving. In 1954, nine new schools were started in Queens, only four in Manhattan.

Sometimes the builders aren't fast enough. In one case, the Board of Education located a grade school in the Bronx. By the time it was ready, there weren't any young pupils left in the immediate area. The building was opened as a junior high, complete with undersized chairs and desks.

Partly because of the unhappy condition of the public schools, 30 per cent of New York's school children are being sent to parochial schools. Authorities say the total is growing.

• **The daily jam.** Schools, of course, are primarily the concern of the New Yorker with a growing family. But even childless citizens have to deal with the hopeless jam in the city's streets.

Lower part of Manhattan, south of Central Park, is the worst. In this small, cramped island area every day there are 3.6 million people, 530,000 vehicles.



Source: U.S. Census Bureau © 1955, By U. S. News Pub. Corp.

Every morning, between 8 and 9 o'clock, nearly 55,000 vehicles, including 6,800 trucks, flow into Manhattan by bridge, tunnel or ferry.

Every day, the city's 5,600 miles of streets swarm with a total of 1.4 million vehicles.

Every night, Traffic Commissioner T. T. Wiley estimates, half a million cars are parked at New York City curbs.

The Citizens Traffic Safety Board estimates that traffic congestion and accidents resulting therefrom are costing New Yorkers $1,082,200,000 yearly. In the total are such items as 175 million dollars for rapid depreciation of vehicles, 350 million dollars for wages covering time lost in traffic, 100 million dollars for retail sales unrealized. Dollar loss in fuel for cars and trucks amounts to 75 millions.

Businessmen and city officials agree that traffic congestion is a big factor in the flight of people and business to the suburbs. Even so, an increasing number of New Yorkers and commuters are driving their cars to work every day and parking them at the risk of getting $15 parking tickets or having their cars hauled away and impounded by police.

Traffic experts also are aghast at the increase in big trucks, some of them only partly loaded, entering the narrow city streets. Multiplicity of buses and taxicabs complicates the tangle. Any daylight ride through New York City is likely to be a journey in frustration. Often it's quicker to walk, New Yorkers have learned.

• **Crime and the "finest."** There just aren't enough policemen to control parking violations, keep the traffic moving at the many busy corners in Manhattan. In fact, the authorities say, there aren't enough policemen to keep the crime rate from rising.

Last year, the New York City major-crime rate went up by 2.3 per cent over 1953, according to Police Department figures. The Federal Bureau of Investigation, which classes as major crimes some offenses that the New York City police consider to be misdemeanors, reckoned the rise at 6.1 per cent.

Lumping felonies and misdemeanors together, the New York City police reported 295,622 during 1954, as against 261,980 in 1953.

By trying some strenuous experiments involving the massing of police in troublesome sections, Commissioner Francis W. H. Adams managed to get an actual decrease in the crime rate during the latter part of last year.

Nevertheless, he had to report such statistics for 1954 as a daily average of 2 homicides, 26 felonious assaults, 130 burglaries, etc., for an average total per day of 305 major crimes.

The figures, Commissioner Adams says, are an "almost tragic" reflection of the need for more policemen. Right now New York's "finest," as the police force is called, numbers about 21,500 men. Mr. Adams wants nearly 4,400 more.

Commissioner Adams is something new for New York's top police job. He is a successful corporation lawyer, not a politician. Businessmen think he has done a good job, considering the size of his task.

Mr. Adams has been combing out the "finest," as well as trying to strengthen the force numerically. He has rooted out a traffic-ticket-fixing ring; improved discipline; tightened up investigation and selection of rookies. One of his troubles in getting good policemen is their pay

scale. The average New York patrolman takes home less than $70 each week.

Juvenile delinquency looms up in the scale of the city's crime problems. In 1954, arrests of juveniles increased 20 per cent over the year before.

• **Rootless city.** New York City's planners will concede, privately, that almost any catalogue of the big town's troubles will add up to a picture of decline.

On the other hand, they insist that New York City is going to be around a long time, offering goods and services that no other city can provide. No place else, they say, will overtake New York in size or importance within the present century.

There still are a lot of New Yorkers. They wouldn't live anywhere else, or so they say. They regard New York City as unmatched as a center for the arts, for high-grade entertainment, for an endless variety of things to buy, for convenience and accessibility to almost anything or any place.

Robert Moses, who holds 10 civic positions and is largely responsible for the city's system of parkways and beach resorts, says, "Something is going on here which with all its extravagance, eccentricity, ebullience and raucous, offensive overtones is much more impressive, more national, more broadly American than the nineteenth-century New England flowering we have heard so much about."

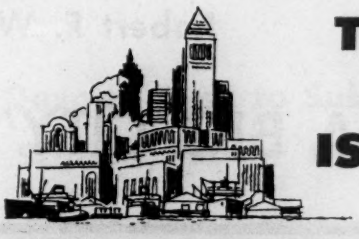
For much of the country's commerce, too, New York offers facilities, location and background that will make the big city a desirable place to do business for years to come. That is so even though Manhattan no longer dominates the trade and commerce of America.

Young men and women are still coming to Manhattan from "the sticks," though not in the numbers of years gone by. They are still looking for glamour in the shiny caverns off Fifth, Madison, and Park Avenues; for big money in the skyscraper offices of steel and glass.

Sometimes they find both the glamour and the money, and they stay. But a lot of them move over somewhere else before long. Not so many try to put down roots in the concrete of Gotham any more.

There is a tourist cliché that goes: "New York is a great place to visit, but I wouldn't live there for anything." New Yorkers have always made fun of this bromide. Now, however, the evidence seems to show that more and more New Yorkers are becoming visitors themselves. New York City is getting to be a hard place to live in, even for New Yorkers.

For Mayor Robert F. Wagner's views of New York's problems—and future—see page 58.



THE CITY'S LEADERSHIP IS CHALLENGED

NEW YORK IS SLIPPING AS A MONEY MARKET

New York City's Share of National Bank Assets & Liabilities

	IN 1939	IN 1954
Loans & Investments	18.4%	13.0%
Cash Assets	28.8%	16.4%
Deposits	21.3%	13.2%

AND—

NEW YORK'S PORT IS LOSING TRADE

Share of U.S. Ocean-borne Tonnage Clearing Through Port of New York

	IN 1923	IN 1953
Exports from U.S.	27.1%	11.5%
Imports into U.S.	30.2%	24.0%

Source: Finance data—Federal Reserve Board; Commerce data—Port of New York Authority

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Interview with MAYOR OF NEW YORK CITY
Robert F. Wagner

SOLVING A BIG CITY'S PROBLEMS

New York City and its Mayor, Robert F. Wagner, are up against some massive problems.

The biggest city in the U. S. is witnessing a drifting away of people, business and money. It is involved in a struggle to pay its own way.

Mr. Wagner became New York's Mayor in January of 1954. A Democrat, he is the son of the late Senator Robert F. Wagner, sponsor of the Wagner Labor Relations Act. He has been active in New York City affairs since 1946.

The Mayor's big task is to arrest his city's trend of decline, as reflected by statistics on migration, economics, living conditions.

How does he hope to meet the problems? What does he think of New York's future? To get his answers, *U. S. News & World Report* interviewed Mayor Wagner.

Q What do you think is happening to New York City, Mayor Wagner? Is it declining or is it on the way up? Is it standing still?

A I've read lots of articles about the flight of so many people to the suburbs. We hear a lot about this idea that the big cities are through. I just don't agree with them. Certainly, as far as New York is concerned—the one I'm most familiar with—we still have a great future here.

New York is not declining. As a matter of fact, every year, especially over the past few years, our real estate values on our assessments have increased, which is an indication that the value of New York real estate is even better than in the past. There are certain areas where we have problems, but they're areas that have been depressed for some time, and we are trying to improve them with public housing. We hope to attract what we call "middle income" housing in those areas. I'm very optimistic about the future.

The utility companies, for instance, are confident enough in the future of New York to invest hundreds of millions of dollars in improvements in their own operations. So, they have confidence, too.

Our population is increasing. We estimate, I think, that by 1960 we will probably have an increase in population here in New York City the size of the city of Cincinnati—just the increase—and with that comes a lot of new problems in housing, in transportation, in police protection, sanitation and all of the other services that a city gives.

There's a continual demand on city government to meet the new needs. Even lighting on the streets is a tremendous problem for us. But at the same time we're moving ahead, we're developing. A lot of people seem to think that in Manhattan we're sort of at an end in the increase in population. Although that may have taken place in some areas, in lots of other areas of Manhattan we have an increase in population. That is the one borough that they've talked about as one that is going to be at a standstill.

In Queens we have a tremendous increase. In the Bronx and Brooklyn we have big increases. And Staten Island is, of course, an important area of the city but still undeveloped as far as the city is concerned, and it has a great future.

Q We do get figures that tend to show that the population of the city has, more or less, stood still in the last 10 years, and that there has been a net exodus of people from the city. One figure shows that 65,000 people have left in the last four years over the number of those who have arrived—

A Well, we still have a tremendous increase in the number of people coming in here. We have a lot coming in, of course, from our fellow citizens in Puerto Rico. That has declined due to various economic factors. We have a lot coming in from the South and from the West.

I think the whole area around New York City—the so-called metropolitan area, including the spaces just beyond us here—is developing because of new industry and management coming into our city. But, at the same time, our own population is increasing and will continue to increase—maybe not with the same amount of speed that the other areas will, but we here have less space available.

Therefore, people who cannot find a place to live in New York or who want to live out in the country can do that. But there are more than enough people who want to come into the city. Just like business—they say business leaves New York. Well, there are various factors involved. I think the principal one is that they haven't any more space in the city. But the figures of the telephone company and the utilities companies—where we can have a pretty good guide, until we really set up our commerce department as it should be set up—tell us that, for every industry that leaves New York, two or three want to come in.

Q When you speak of an increase in population, are you speaking of the region or of the city itself?

A I'm speaking of the city. The region has increased tremendously, and will, but at the same time the city has,

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Population Going Up, Despite Rush to Suburbs . . . Needed: More Income, Bigger Schools, Better Housing, Less Traffic

—Wolff from Black Star

too—maybe not as fast, again because we haven't that much space.

Q Would you say that that is the difference between New York and other big cities? All big cities are having a movement toward the suburbs—

A Well, there's a movement toward the suburbs on the part of some part of our population. There's also a tremendous movement into New York on the part of others. So, while we may lose a lot to the suburbs, we are more than gaining in total population.

Q Is that an actual in-migration or is it a healthy birth rate?

A It's due to a large birth rate—it's due to an in-migration, too.

Q Some of the figures show that the birth rate is really larger than the in-migration.

A That is true. Again, you have the problem of the available space in New York City. We are suffering from a very serious difficulty in overcrowding, particularly in the lower economic levels, and they are spreading out into other spaces. It's a drive for available accommodations that's behind all of this. We don't feel that this is going to be a ghost town, or anything like that.

Q New York has a special position in other regards, too, as a metropolis—

A That's right. The United Nations is here. It's the center, the world capital, so to speak. It's the financial center and the center of management in the entire United States. And we have, very interestingly enough, a lot of industry here and a lot of business, but it's diverse. We don't depend, as Detroit does, on the automobile industry, for instance. We can, very frankly, weather a depression with many industries better than a city that is dependent on one single product. We have here, of course, the garment workers in the clothing industry, men's clothes and women's clothes, and that is very important to us. But we still have a good diversity of employment here that is helpful in a time of recession in any particular industry.

Q How would you explain why New York City hasn't had the spectacular growth that, say, Los Angeles has had, or Washington, or Baltimore?

A Well, I don't know that they have had such spectacular growth as a lot of people seem to think. We've really shot ahead here. Our population is always going up. But we are confined, you see. Los Angeles has a much bigger area, and, therefore, if you could say that New York had such a larger metropolitan area, you would see a really spectacular growth in this section. We are confined by political lines.

Q In other words, New York is too big and at the same time too small?

A Well, in some ways it is. For instance, Los Angeles has a city limit that is much greater than ours and can develop some of those areas inside. We are pretty well developed in Manhattan, in the Bronx, in a good part of Brooklyn, and, to some extent, in Queens. Therefore, the opportunity of expanding is limited much more here than in Los Angeles.

Q Businessmen talk about what they sometimes call a "dilution" of the population. Do you think there is a trend in New York City toward losing its middle class and gaining in lower-income elements that can't support the taxes and an expanding local retail business? Hasn't this trend been mainly Puerto Rican since the war?

A I would like to clarify just one point. We have had a large increase in population from Puerto Rico. As a matter of fact, we have the largest Puerto Rican city in the world.

Q Is that now around 400,000?

A Close to 500,000. We have more here than they have in San Juan. But it is interesting to note, too, that we have more Jewish people here in New York City than they have in Israel, more people of Italian extraction than in Rome, more people of Irish extraction than in Dublin.

(Continued on next page)

. . . "I don't think we're going to lose too much business"

We're a pretty cosmopolitan city. So, it isn't all caused by the migration from Puerto Rico. A lot of them come in as you know, and, according to the figures of the people who were up here from Puerto Rico for the labor problems here, we have had a 40 to 50 per cent drop in the number of Puerto Ricans who have come up here in this past year.

Q Is that because of the fewer job opportunities in New York?

A I think there are, perhaps, two big categories, or areas, which you could say are the causes. No. 1 is that there are fewer job opportunities up here and, also, improved conditions in Puerto Rico, and an improvement, too, in their vocational training down there, so that they are in a position to take jobs down there.

Q But they are still coming in, aren't they?

A Well, this year I think it will be about 21,000 net.

Q By "net" you mean those who stay here?

A That's right, those who come here as opposed to those who go back. I think when they get better opportunities down there, the people will want to go back because it's a much more pleasant climate, they have their friends there, they have their customs, and so forth. But they have made a good contribution to New York. I don't think that many people realize that without them we'd be in tough shape in our employment.

HOW PUERTO RICANS HELP—

Q You mean that they would take jobs that other people wouldn't?

A That's right. I don't think we could run our hospitals or our hotels or some of our other industries without them. And they are moving ahead just as any group who have come to our city have moved ahead. In the next generation you are going to find more of them as professional people and business people. But they are only one phase of our migration. We have migration from the South and migration from the West and from all over the United States. They are not the principal migration problem.

Q They do present a language problem, though, don't they?

A That's right—language—a problem in our schools. They present a problem to us for this very reason. Up to now it is hard for us to judge what our school needs will be because of migrations where families come in. The only possible way we have had in the past to judge what we would need in the way of new schools and job opportunities was to know the birth rate of what takes place here in New York.

Now, when a family comes up here with four or five children, that throws our school system off—at least our predictions on school needs and job opportunities. So, that happens not only with those who come from Puerto Rico but from anywhere else. That has been a difficulty that we have to try to overcome in our planning.

You mentioned before that a lot of the middle class are moving out. That's true—for various reasons. They wanted to give their children a chance to live in the country. They thought that school opportunities would be better, and now they're finding out that they have more overcrowding in their schools than we have here in the metropolitan area. What we are trying to do to stop that from happening here is, No. 1, to get our school-construction program up to the highest that we've ever had it in our history this past year.

Q To go to the business side, we hear stories and get figures on how the port of New York is losing a certain amount of business to other ports, competitive ports, even in general cargo. And there are figures that show that Wall Street is no longer the financial center, that other financial centers have built up. Is this the fault of the city?

A In answer to the last part, it's interesting to note that we have a State stock-transfer tax, and, of course, we in the city have felt that we should receive that stock-transfer tax because we give all the protection—we give all the police, fire, utilities that serve Wall Street—and we feel that the State contributes very little.

I saw the figures not so long ago from those in Wall Street that the amount that they are contributing to the State is a big increase over the amount last year. So that does show that their transactions on the stock exchange here have increased tremendously, and I don't think we're going to lose too much business.

Q But there has been a drift of bank deposits to other parts of the country, because of growth and so forth?

A I suppose so, but we are still, I think, in pretty good shape. Wall Street is still booming.

Q It will be around for a while?

A It will be around for a while. As a matter of fact, they are even expanding and moving into new buildings. The Stock Exchange is moving into more modern and more expanded quarters.

Q What about the port, with all the labor problems?

A That has been one of our problems. Of course, the port of New York is still one of the greatest ports in the United States. We're holding our own on the amount that we have had over the years. On the percentage I think we may be losing to some of the other ports. We've been concerned with that.

I've set up a port council of the outstanding people, not just in the shipping industry, but in the other industries that are involved—banking, transportation and some of the industries directly related to commerce in our port. Through that we hope to attract business here.

If we can have some labor peace—and we at least have it now through the agreements that have been signed—it would give greater confidence to shippers to come in here and know that their cargoes will be unloaded and that they will move ahead. We still have the best of facilities in transportation and we have a great market here.

Q What about the piers?

A We are rehabilitating our piers. The Port of New York Authority has rehabilitated piers, too, here and on the Jersey side, which is, after all, interrelated here. We're continuing that expansion, and I think with a feeling that the piers can be run on a more stable labor basis with the understanding, too, that we are helping some of the companies in getting better facilities and can attract even more trade than we have now.

NO OBJECTION TO SEAWAY—

Q What about the St. Lawrence Seaway? It is said that might take away business—

A Well, I'm peculiar in this, because most mayors have been opposed to the Seaway. I've always been for it. I've tried to look at it as a little bigger than just New York City. I think it would be a great boon to the northern part of our State and be a boon to areas in the Midwest. I have never

. . . "If we got our State aid, we wouldn't have to raise taxes"

felt that it would hurt us to any degree, given the proper facilities and if we have peace here in our labor.

Q It has been testified that it might take away 19 per cent of the port of New York's business?

A Yes. Well, I think you can find testimony on both sides on that. The more facilities we can have in this whole area, the more it will help. We've got to realize that we've had competition from Philadelphia, from Houston, and from all of the other ports all along the line. We've got to fight our own problems here. We can't stand in the way of progress of any other ports.

SECOND-BIGGEST BUDGET—

Q Getting around to the city's own problems in finance, debt, and so forth, do you think that the city is going to get to the position where it will pay its own way and get out of debt?

A We must pay our own way. We must balance our budget every year. That's law. And we do that. We have the problem of meeting the new demands for services in our city, and I don't think we are peculiar in that.

Q That is the problem of all big cities?

A Yes, the problem of all big cities.

Q But you think it is magnified here?

A Well, I suppose merely by the size and the amount of money involved. We have the second-largest budget in the United States.

Q What is the first?

A The federal budget. We're bigger than New York State. We're bigger than any other State or any other city in the country. Our expense budget next year will run, roughly, around 1.7 billion dollars. This year it is about 1.6 billion. We will have a capital budget running close to 700 million dollars—

Q That's the repayment of debts?

A No. That's for improvements. It's interesting to note, too, here that we have a transit authority to run our subway and bus facilities, instead of having them run by a private operation. That charges a 15-cent fare. But all of the capital improvements for our facilities are furnished by the city. So that, actually, if they were really on a self-sustaining basis, the fare would run to at least 25 to 30 cents.

Now, we have said that, if we got our State aid that we asked for, we wouldn't have to increase any taxes. But if we did not, to meet the difference, we would need some new taxes. We originally proposed last year a change in our tax structure from a tax which we now have on gross business to one on net business and income.

Well, my Committee on Business, that is, the Mayor's Committee and advisers Robert Dowling and Dave Rockefeller, studied this problem and they came out with a recommendation just a few weeks ago that they thought it would be better to raise a small percentage on the present gross-business tax rather than go into a new type of tax. That would in no way affect the shifting of this business.

Q It wouldn't drive more business out of New York?

A That's right. Some of our top business people are in on that. So, we have suggested to Albany that they give us that tax on a permissive basis, so that if we didn't receive enough in the way of State aid to meet our problems—our position on State aid being just what New York City should justly derive—that then we may use this other tax.

Q Is that up to the Legislature?

A Yes. And this business committee feels so strongly about it that they have told me they will go to Albany, if necessary, to testify before the Legislature as to the need, after they have reviewed our whole financial situation.

Q Then, on the other side of the picture, the local taxes in New York City are awfully high, aren't they? Aren't they three times the size of local taxes in other large cities?

A I'm not in a position to know what their taxes are, but, of course, you have also county taxes in those other places, which have to be taken into consideration. I think, too, we give services on a much higher scale than any other place. For instance, in a lot of areas they have one collection of garbage a week. We give three and four collections a week.

Q You are also providing a lot of services for a lot of people who don't live in New York City and don't pay taxes here, aren't you?

A Well, we have at least 600,000 who come in here from outside the city every day to work. They pay a State tax, but they pay nothing to the city.

Q They don't even pay a sales tax, do they?

A That's right. They don't pay the expenses of running our transit facilities. They just pay the fare. Yet we give them police protection, fire protection, and protection that any city does, and I think better than any other place.

Take, for instance, in Chicago they have a police force of around 7,500. But they are helped by the county police. We have a Police Department now of over 21,000. We have more unique problems than a lot of areas because of the migration that comes into the city. But we have the most extensive system, and I think the best.

I've always felt that if the people in the City of New York understood and had confidence in their dollars being spent the right way, they wouldn't object to paying taxes.

Q Some other cities have talked of a tax on commuters. Have you ever thought of that?

A We proposed to the State Legislature last year and we have proposed again the right for us to receive the benefit of the income tax that the commuters pay to the State of New York.

Q You mean a portion of the State income tax?

A We'd like to get it all.

PUZZLE OVER COMMUTERS—

Q Is there any other way of taxing commuters? Could you tax them as they came into the city?

A Well, you could, but you would just get those that are coming in by auto, and also you will just be asking for a reciprocal arrangement on their part when the people come out of New York City, and you will get into almost a war between States.

Q What about the traffic congestion?

A I don't know whether we can lick it. We can work toward alleviating the problem, and we have been doing that. In Manhattan, here, we have changed a number of our avenues to one-way avenues, which speeds up the traffic on the avenues and also speeds up the cross-town traffic. Now, we are studying the results of the tests of these one-way avenues and whether to extend it to other avenues.

We are now in the process of building further parking lots on the peripheral areas of the city, so that people will be

(Continued on next page)

. . . "I think New York City still has a great future"

enticed, so to speak, to park their cars there and use the rapid-transit facilities. Now, again, you get into the conflict with the theory that the transit authorities have of cutting down services in certain areas and increasing the fare. That, of course, will make people more prone to use their own automobiles rather than use our mass transportation.

Q As long as they've got them, they are going to use them—

A That's right. You get a conflict in theory here as to whether you should build large parking areas in the congested sections. Some people think this is a good thing. Others feel that it just brings even more traffic in. My traffic commissioner holds that theory.

Now, we are also trying to build parking garages and parking lots around some of our shopping centers in various sections of the Bronx and Brooklyn, and so forth. Of course, I always remember that Mayor La Guardia said one time, "The greatest way to stop the traffic problem in New York is either have a truck strike or have a depression." We don't want either one. It is a sign of prosperity to have this traffic problem.

Q Is there any way to lick the truck problem?

A It's a difficult one because in the congested areas we find that there is a marked opposition to doing their business at night. It means added pay for the drivers. There's a resentment among all those who have to work at night. They like to be with their families—

Q And the merchants would have to keep their places open—

A That's right. They would have to supply a staff, people there of responsible position to watch everything. And there is that human tendency—and I agree with it—it's nice to be home with your family at night.

Q Wasn't that tried some years ago?

A It was tried on a voluntary basis, but it didn't work out.

Q Unloading after 9 o'clock—

A That's right. They have tried to keep spaces available at certain times, and that has helped a little. But it's a tough problem because you have so much industry concentrated in one small area.

I had a visit not so long ago from the mayor of Montreal, and he said one of the pleasantest things I've heard in a long while. He said, "You haven't any traffic problem here. You ought to come to Montreal!" So I guess a lot of cities are having this same thing. We are trying to attack it in various ways by law enforcement, by no-parking areas, by garage construction, by peripheral parking. I think we can put a dent in it.

MORE POLICE ON THE BEAT—

Q What about the crime situation? Francis Adams, Commissioner of Police, says that it is increasing—

A Well, it is increasing here and it is increasing everywhere in the country. I think it is increasing much more in the larger cities in the rest of the country than here. As Mr. Adams emphasized in a report the other day, in the last six months there has been a decrease in crime and an increase in the solution here in New York. Now, of course, if you could ever arrive at the point where you have both lines meeting, where your solution is equal to your incidence of crime, then you'll have a perfect city. But no city has that.

Q Do you have an over-all report that shows a decrease?

A It is an over-all decrease in crime.

Q Wasn't it higher in the first six months?

A Yes, but a decrease in the last six months—and an increase in the solution. I feel that that is due to the fact that we have more police on the beat, more police detecting crime, and we are able to relieve them of other assignments.

Q What's the big problem—juvenile crime?

A That's a serious one, but in a city like ours you have all types of crime. You just can't have police in every back yard to see who's going to crawl in a window and rob someone. It's hard to prevent rape, in many instances. It's hard to prevent crime that is due to passion. You can get there and try to solve them, but you can't have a policeman in every apartment. Crime has been with us a long while.

Q You think that it is the major problem here?

A Crime is a major problem—there's no doubt about it. It's a very important one. We've got to make people in this town feel that they're safe in all areas, and that's why we have to concentrate so much on it. We want to put all the money we can into it to get more people out on the beat. For instance, now we are using ladies for the first time at school crossings. That program is being expanded continually, which allows more policemen to be relieved of that duty and get them back to their principal occupation of the detection of crime.

WHAT'S AHEAD FOR NEW YORK—

Q By 1970 what would you like to see in New York?

A I was born in and have lived in New York all my life and I have a great affection for it. On the immediate scene, as far as the government is concerned—what I would like to add in my four years here—I hope to re-establish a confidence in the government that has been lacking over the past few years. There's a cynicism on the part of a lot of people that the government isn't functioning for them and that things are wrong here. I'd like to have them feel that they can have confidence in their government, and try to do the right thing for that. As for the future of New York, I think it still has a great future if we plan properly, if we try to see that we have in our town the opportunity for the people in the middle class to live here.

If we're dreaming of the future of New York, I think a lot depends upon the leadership that New York will have. We have to provide the things that will keep people here. It will always be a great city. I don't want to see it arrive at the point where we have only very wealthy living here or people living in subsidized projects—the very poor. I hope it can be prosperous, and I think it can. I have great confidence in its future. I always remember my father telling me one time he never agreed with what a lot of the old-timers used to say: that their generation was best, that everything was going to pot after they were through, the education was all wrong, that everything was all wrong with the day in which we lived. He always said—and I agree with him—that things improve, people improve, educational opportunities improve.

In that way, New York is going to be a better place in the future because the younger people who come along to take over the leadership will be better equipped. I think that will happen in New York in the problem that we have here in making the city function. And I don't think I am alone in my opinion. I think that most people who have given it a lot of thought agree that New York has a great future.

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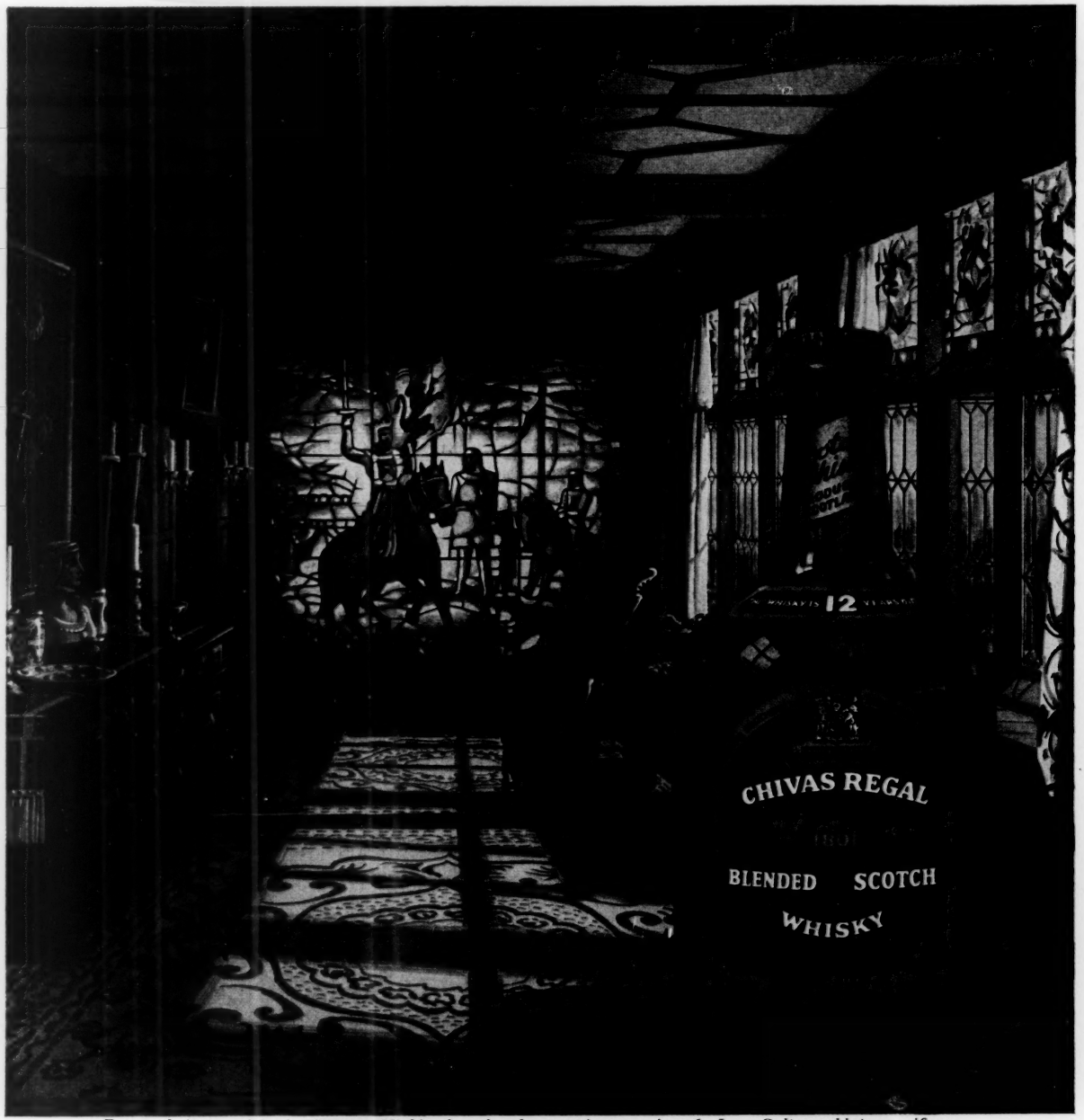

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FROM THE CAPITALS OF THE WORLD

MOSCOW....LONDON....SINGAPORE....NEW DELHI....TOKYO....

>> One thing about Soviet Russia you can be quite sure of.....

The worried men in the Kremlin envy U.S. its farm output, wish they knew how it's done. Talk of sending Soviet farm experts to learn how Iowa raises corn and hogs is more than propaganda. There's deep-seated trouble in Russia.

The Russian peasant is still, after all these years, the Kremlin's No. 1 problem. He is not raising enough food, not producing according to plan.

Soviet farm system is a flop. It's a Grade-A crisis, far from solution. It explains much of the drastic, continuing shake-up in the Kremlin.

A new farm boss has been appointed. A brand-new corn belt is on order. But the question is whether even these changes will bring abundance to Russia.

>> This is what baffles Khrushchev, the Soviet top man:

U.S., with only one in seven Americans on the farm, produces plenty not only for 164 million Americans, but for millions elsewhere as well.

Soviet Russia, with one of every two citizens on farms--half of all people in Russia--can't even produce a decent diet for its 200 million.

To make matters worse.....Soviet meat output is going down. While population is up 60 million, compared with 1928, livestock numbers are 6 million lower. This means even less meat per person than 1928's average of 40 pounds per person.

In U.S., meat supplies in 1955 are expected to break all records, give the U.S. population even more than the 1954 average of 155 pounds per person.

It's not the way Marx, Lenin and Stalin said things would work out.

>> Khrushchev's difficulty is he's trapped in a dilemma built into the Soviet system. Control of peasants--half the population--is essential both to get food for cities and to prevent revolutions. But controlled peasants refuse to produce. They want their own land, private profits, consumer goods, freedom.

And yet.....If Khrushchev relaxes controls, sets peasants free to produce, neither Khrushchev nor the Communists may remain in charge very long.

Khrushchev's solution is to keep as firm a rein on peasants as he dares, launch ambitious projects, such as a Russian corn belt, and hold out hope that Soviet Russia can catch up to Iowa one of these days.

Outlook? Food will remain short. Turmoil in the Kremlin will continue.

>> Prime Minister Churchill's speech on the H-bomb is being studied in Moscow as well as in London. To give you the key points.....

U.S., as of now, has "many times" the nuclear power of Soviet Russia, and "far more effective means of delivery." Russia's biggest bomb is "intermediate," not as big as U.S.'s. Only U.S. is now in position to launch an attack

(over)

with H-bombs in strength on a few hours' notice.

Moscow is warned that continents nowadays are as vulnerable as islands. Vast spaces of Soviet Union can be reached by U.S. planes, covered by H-bombs.

War now is unlikely. U.S. power is the deterrent.

War later on, if Russia draws even in the nuclear race, may be prevented by fears on both sides of mutual annihilation. War risk may be too great.

Surprise attack on Britain, involving H-bombs, would be the signal for U.S. counterattack on Russia, without consulting the British Government.

>> Underlying reason why Britain is producing H-bombs is to keep in running as a world power, to retain membership in Big Three with U.S. and Russia.

With supply of H-bombs, London can bargain on more nearly equal terms with Moscow and Washington on matters of peace or war or disarmament. Britain can, it figures, continue to influence U.S. policy. In war, it can have a voice in how war should be run, insist that priority go to targets vital to it, such as Soviet submarine bases. Without H-bombs, Britain's voice might go unheard.

To be a major power these days, you have to have H-bombs in stock.

>> This is the defense prospect in Southeast Asia, after Secretary Dulles's tour of the region: Main reliance is on deterrent effect of U.S. air and naval power. This is counted on to keep Communist China from an overt attack. This is the chief hope of British in Malaya, as well as of Asian governments in area.

As British military men see it, only good strategic defense line is well to the south, on narrow Kra Isthmus, which is Malaya's northern boundary. For this line, British want five divisions--three more than they now have. They're asking Australia and New Zealand to chip in. Troops aren't in sight yet.

North of Malaya, this means, Southeast Asia is largely in the U.S. lap.

>> India's voters refuse to be neutral toward Communists inside India.

India's Communists have suffered a shellacking in their attempt to gain control of Andhra, a state in the South, at the ballot box. Before election, the Communists held the balance of power in the legislature. Now they're barely visible. Voters, given a free choice, said "No" to a Communist Government.

Communist gains elsewhere in India, as a result, now look less likely.

What hit Communists was a united front of anti-Communist parties, waging a campaign against Peiping and Moscow as well as local Communists. For the first time, Indian voters got a clear idea that the security of India was at stake.

As a by-product, the election improves India's chances for more U.S. aid.

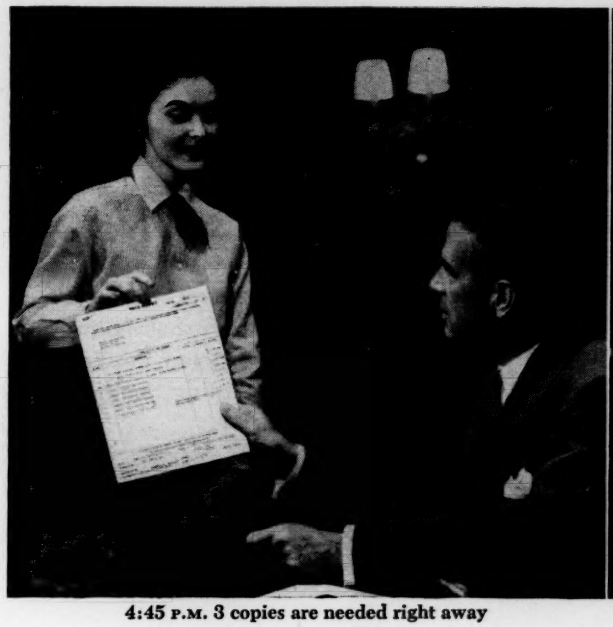
>> In Tokyo, election of the Hatoyama forces probably means Japan will be a more uncertain partner for U.S. than in the past.

Japanese voters liked the campaign promise, a double-barreled one, to end Japan's dependence on U.S. and "regularize" relations with Moscow and Peiping.

Softness toward Communist neighbors is now popular in Japan. A deal with Russia is in the works. Trade with Communist China is favored.

It's not that Japan is turning Communist or even pro-Communist. But Japan is deeply infected with rising nationalism and neutralism.

This reduces U.S. chances of getting Japan rearmed and in an effective military alliance with Formosa and South Korea. Rising U.S.-Japanese friction, at same time, can be expected over Japan's new relations with Communist world.



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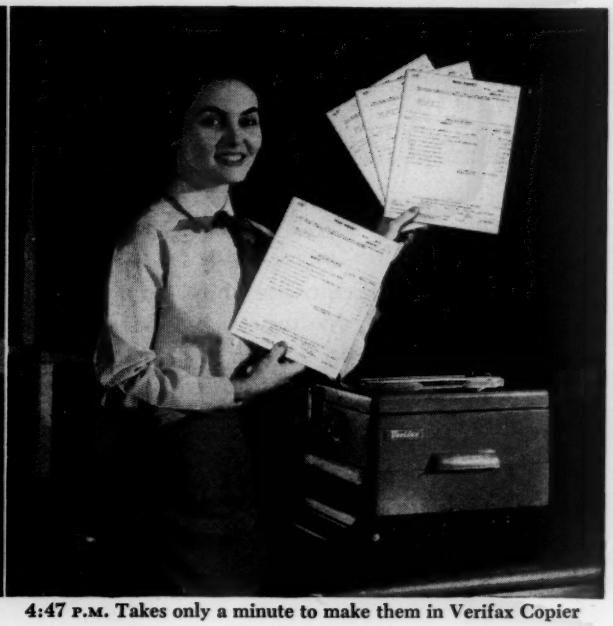

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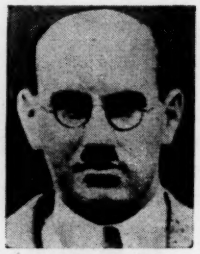
THE MEN ..Top Spies **THE NEWS** ..Secrets for Russia

How Reds Learned About the Atom

Where Russia got know-how to make atom and hydrogen bombs becomes plainer. A top atomic spy, Bruno Pontecorvo, turns up in Moscow, dispels another mystery of scientific secret-stealing. His work, that of others—Fuchs, Nunn May, Maclean—may have given the Soviet Union all basic information needed.

MACLEAN

FUCHS



NUNN MAY

PONTECORVO

ANOTHER ATOMIC-SPY MYSTERY now can be labeled "solved" and filed away. Bruno Pontecorvo, a leading nuclear physicist, has turned up, as many expected, in Moscow, where he is helping Russia try to amass a stockpile of hydrogen bombs.

But Pontecorvo, Italian-born and a naturalized Englishman, is just one of a group of spies and traitors who handed over to the Russians a mass of U. S. and British secrets in the field of nuclear weapons. The activities of these men now are falling into place, fitting into a pattern.

Allan Nunn May was the first. He was caught, served six years and eight months of a 10-year prison term and was released —unrepentant. He since has married and is living in rural England.

Klaus Fuchs is doing 14 years in a British prison and, with good behavior, will be out in 1960. German-born and, like Pontecorvo, a naturalized Briton, Fuchs helped construct the first atom bomb at Los Alamos, N. Mex.

Donald Maclean, a young British diplomat, disappeared in 1951 with every indication that he had gone behind the Iron Curtain, carrying not only diplomatic secrets but also important atomic ones with him.

Atomic patentee. The U. S. Treasury has $15,000 waiting for Pontecorvo in the unlikely event that he should come out of Russia and claim it. The money is in payment for patent rights on the basic process of the atomic bomb. This process was developed by Pontecorvo and five other Italian scientists in 1934. The circumstance illustrates his early and continued importance in the world of physics.

Pontecorvo, now 41, was born at Pisa, of a large and well-to-do family. Several brothers and sisters distinguished themselves in various fields of learning, but Bruno was rated the most gifted of all. At the age of 16 he was a student at the University of Pisa, at 18 was at the University of Rome, studying under the renowned Enrico Fermi. At 21, he earned a doctorate in physics.

Soon afterward, the Fascist oppression of Mussolini fell upon the family. Its members dispersed, fled to other countries. Bruno went to France, continued his study and research there. In this period a brother became and continued being for years a prominent Communist. Many assume that Bruno became a Communist too, although there is no record of it as of that time.

When, in 1940, Germany invaded France, Pontecorvo sought refuge in the U. S., worked for an oil company. In 1943 he was invited to help with Anglo-Canadian experiments in atomic energy in Montreal. He was in Canada six years, won British citizenship—which may now be revoked—in 1948 and a year later went to England and to a senior position at Harwell, the English atomic-energy laboratory.

Previous security checks had shown nothing against Pontecorvo. But, at Harwell, he fell under suspicion, and knew it. Evidence was uncovered that he had been a Communist. Pontecorvo, his wife and three children went on a tour of the Continent and vanished. They were traced as far as Helsinki and it was supposed they had gone on to Russia. This was not confirmed, however, until the recent publication of a letter from Pontecorvo in Russian newspapers.

Most valuable spy. Scientists think Klaus Fuchs's contributions to Russia were the most valuable of all. Fuchs knew everything that was going on.

German-born, he was the son of a Protestant clergyman who became a Quaker and spent months in a Hitler internment camp. Fuchs became a Communist and, in 1933, at 21, sought refuge in England. He had been a student at the University of Kiel. In England he continued his studies at the University of Edinburgh. But he also was studying the works of Karl Marx.

After World War II began, Fuchs was rounded up with other aliens of enemy nations and sent to an internment camp in Canada. Seven months later, through the influence of scientific friends, he was brought back to England to help with nuclear research. His ability was much respected, especially his aptitude for the intricate mathematical calculations that go with experimental physics.

In this period, Fuchs made contact with Communists, began reporting the results of his own work. He also became

(Continued on page 72)

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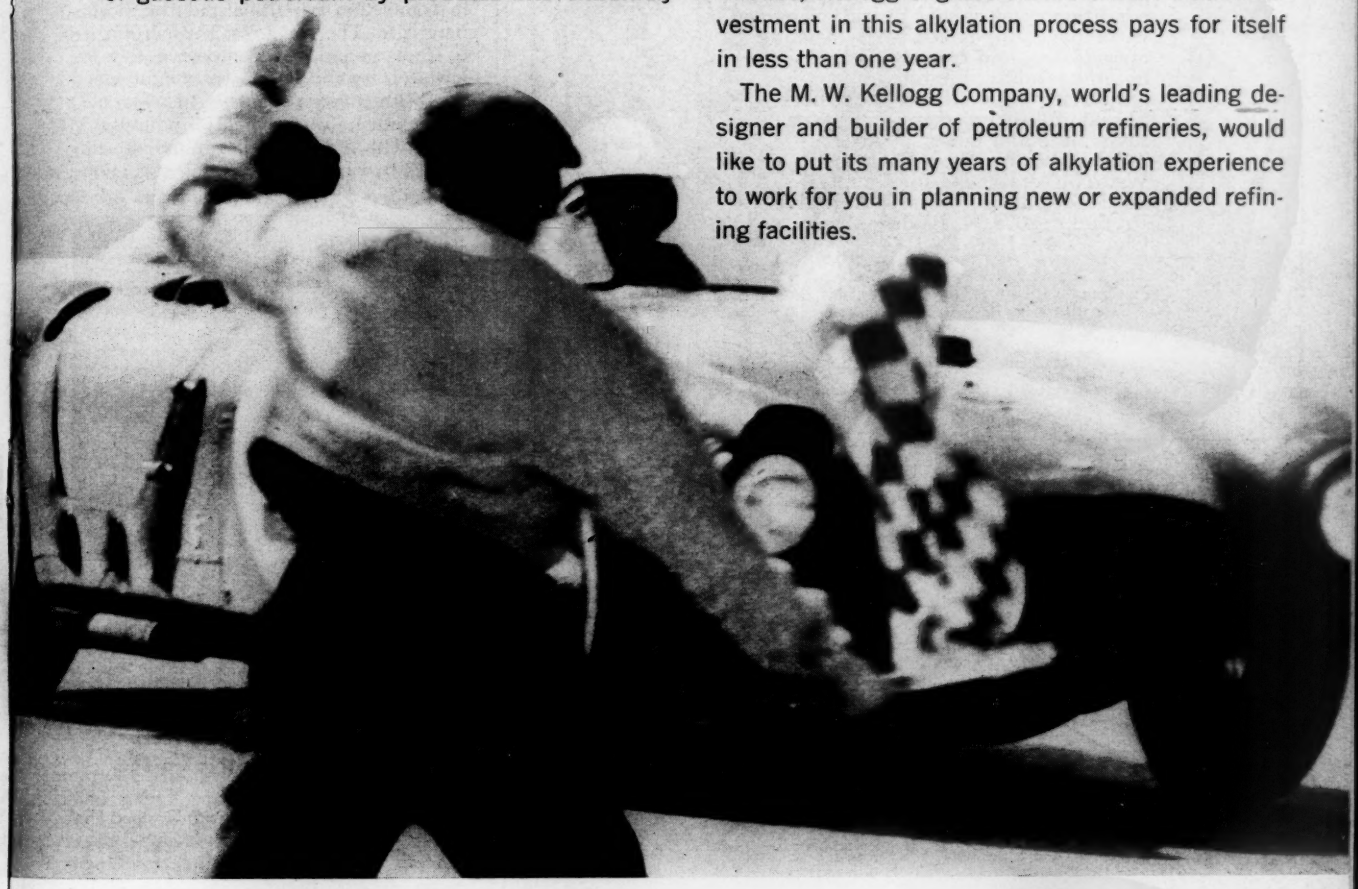

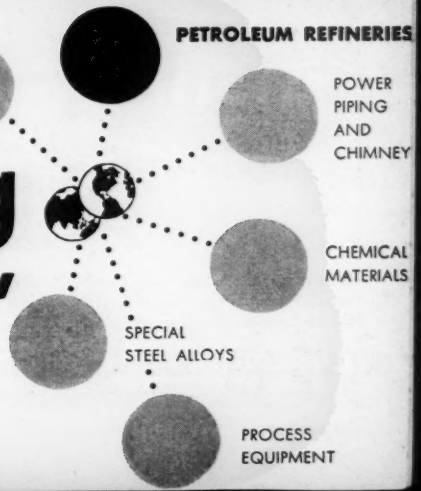

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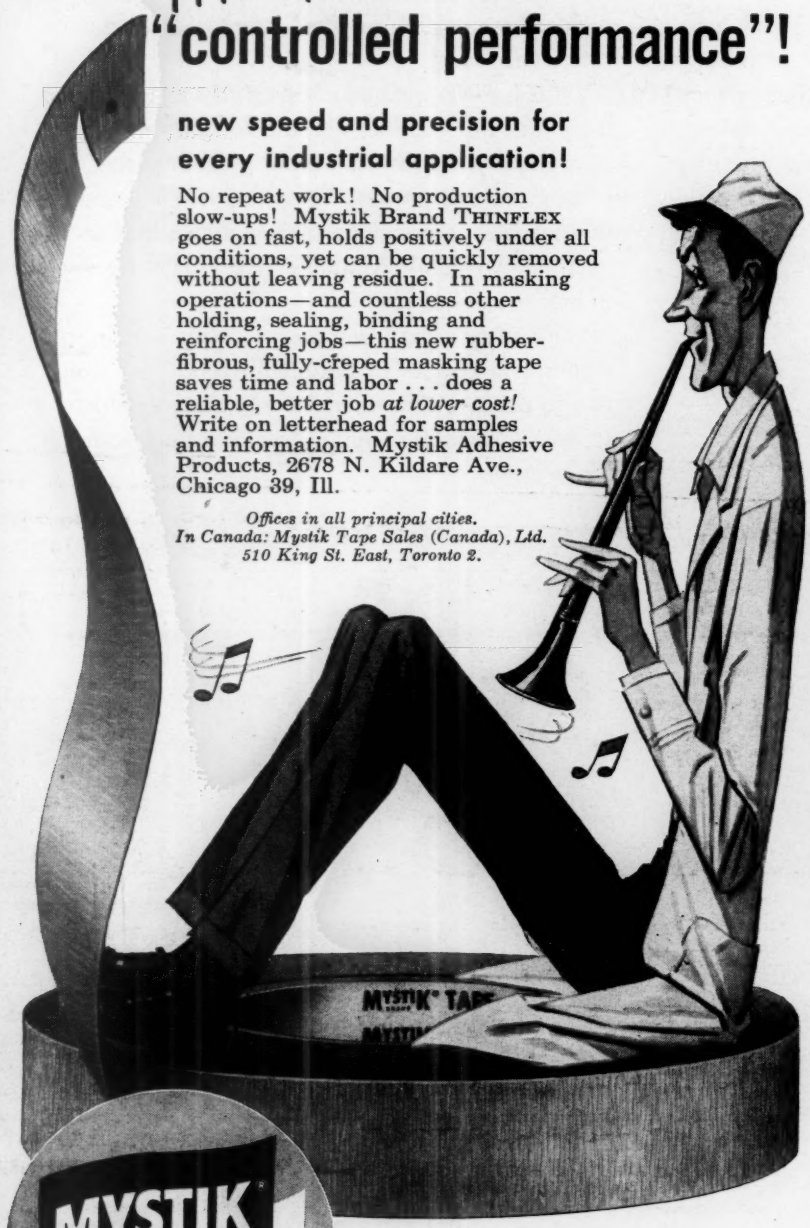

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British cleared Fuchs, U.S. accepted their word . . .

a naturalized Briton. England sent him as part of its atomic team to the U. S. and to Los Alamos in 1943. He saw and understood everything that was going on, including the already-developing theory of the hydrogen bomb.

From time to time, Fuchs made reports, oral and written, to a Communist agent, Harry Gold, now serving 30 years in connection with this and the Rosenberg case. The war over, Fuchs returned to England and, like Pontecorvo, to a top job at Harwell. There were eight meetings with Russian agents in two years. At one point, he was given 100 pounds.

As with Pontecorvo, routine security checks had produced nothing suspicious.

—Combine

THE GATES OF HARWELL
. . . where Pontecorvo worked

The U. S. simply took Britian's word that Fuchs was not a security risk. But, at Harwell, security officers became suspicious. The American FBI helped investigate. Fuchs was cornered and confessed.

British prodigy. Nunn May in 1945 actually gave the Russians minute samples of uranium isotopes. Atom bombs had been dropped shortly before. The Russians considered Nunn May's specimens so important that a special plane flew them to Russia. This took place from Canada, where Nunn May was in close touch with the Soviet Embassy.

When Igor Gouzenko, embassy code clerk, defected and handed a big sheaf of documents to Canadian officials, Nunn May was caught. He was permitted to return to England and take a job lecturing at King's College, London. But, in

. . . One A-spy still thinks "that I acted rightly"

early 1946, he was arrested and confessed his espionage.

Nunn May, British-born and brought up in easy circumstances, had been a brilliant student. Scholarships carried him to Cambridge University and he stayed on there for postgraduate work. At the age of 25, in 1936, he had his Ph.D. and made a trip to Russia, a factor that British security officers later apparently overlooked.

In connection with his espionage, he received $700 and a bottle of whisky, but gain apparently was not his object. He never had made any secret of his left-wing views. And he asserted his opinion that scientific information should not be the monopoly of any nation or group of nations, and he still says:

"I, myself, think that I acted rightly."

Diplomat. Donald Maclean, presumably a correct young Englishman who was going places in the British Foreign Office, simply vanished in 1951. His disappearance created a furor in many capitals.

For this there was a reason. Maclean knew all the details of how atomic secrets were divided among England, Canada and the U. S. He knew what atomic facilities each nation had, where uranium supplies were located, how much raw material was in sight. In addition, he was familiar with North Atlantic Treaty Organization plans for European defense.

Maclean, of good family, a graduate of Cambridge University, had been known for his left-wing views and for emotional instability. From 1944 to 1948 he was assigned to the British Embassy in Washington. His detailed knowledge on atomic planning came to him as secretary of the British section of a combined policy commission. Later he was in charge of the American desk at the Foreign Office.

With Maclean went Guy Burgess, a Foreign Office specialist in Far Eastern affairs, also a left-wing extremist. The two disappeared while on a European holiday. Later, Mrs. Maclean and the three Maclean children also vanished. Few doubt that they are in Moscow or a satellite capital.

Russia's knowledge. Many scientists think it probable that Russia acquired nearly all of her atomic knowledge from this group—Pontecorvo, Nunn May, Fuchs and Maclean. In any event, if the Soviet is lagging in atomic development, as President Eisenhower and Prime Minister Churchill assert, it is not the fault of these men. They did their best, and that best was impressive, even frightening, to many minds in the Western capitals.

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Sir Winston Churchill Tells—

INSIDE STORY OF THE H-BOMB

Sir Winston Churchill, reporting on the H-bomb, opens up the full story. He shows—

• U. S. is far ahead, despite Moscow claims.

• Soviet Union is two to four years behind.

• Russia doesn't have the big bomb yet. She lacks the striking power for atomic war.

• Only U. S. has what it takes to deliver modern weapons on target on short notice.

• If war comes, West will use all the weapons in the arsenal.

Sir Winston's H-bomb statement in London last week is regarded as one of the most important speeches of his long career.

Following are excerpts from an address by the British Prime Minister, Sir Winston Churchill, in the House of Commons on March 1, 1955:

We live in a period happily unique in human history when the whole world is divided intellectually and to a large extent geographically between the creeds of Communist discipline and individual freedom and when at the same time this mental and psychological division is accompanied by the possession by both sides of the obliterating weapons of the nuclear age.

We have antagonisms now as deep as those of the Reformation and its reactions which led to the Thirty Years' War. But now they are spread over the whole world instead of only over a small part of Europe. We have to some extent the geographical division of the Mongol invasion in the thirteenth century, only more ruthless and more thorough. We have force and science, hitherto the servants of man, now threatening to become his master.

. . . I hope that the House will not reprove me for vanity or conceit if I repeat what I wrote a quarter of a century ago:

"We know enough," I said, "to be sure that the scientific achievements of the next 50 years will be far greater, more rapid and more surprising than those we have already experienced. High authorities tell us that new sources of power, vastly more important than any we yet know, will surely be discovered. Nuclear energy is incomparably greater than the molecular energy which we use today. The coal a man can get in a day can easily do 500 times as much work as the man himself. Nuclear energy is at least one million times more powerful still. If the hydrogen atoms in a pound of water could be prevailed upon to combine together and form helium they would suffice to drive a 1,000-horsepower engine for a whole year. If the electrons—those tiny planets of the atomic systems—were induced to combine with the nuclei in the hydrogen, the horsepower liberated would be 120 times greater still. There is no question among scientists that this gigantic source of energy exists. What is lacking is the match to set the bonfire alight, or it may be the detonator to cause the dynamite to explode."

This is no doubt not quite an accurate description of what has been discovered, but as it was published in the *Strand* magazine of December, 1931—24 years ago—I hope that my plea to have long taken an interest in the subject may be indulgently accepted by the House.

What is the present position? Only three countries possess, in varying degrees, the knowledge and the power to make nuclear weapons. Of these, the United States is overwhelmingly the chief. Owing to the breakdown in the exchange of information between us and the United States since 1946 we have had to start again independently on our own. Fortunately executive action was taken promptly by the Right Honorable Gentleman, the Leader of the Opposition (Clement Attlee) to reduce as far as possible the delay in our nuclear development and production. By his initiative we have made our own atomic bombs. Confronted with the hydrogen bomb I have tried to live up to the Right Honorable Gentleman's standard. We have started to make that one too.

It is this grave decision which forms the core of the defense paper which we are discussing this afternoon. Although the Soviet stockpile of atomic bombs may be greater than that of Britain, British discoveries may well place us above them in fundamental science.

° ° °

There is an immense gulf between the atomic and the hydrogen bomb. The atomic bomb, with all its terror, did not carry us outside the scope of human control or manageable events in thought or action, in peace or war. But when Mr. Sterling Cole, the chairman of the United States Congressional Committee [on Atomic Energy], gave out a year ago—17th February 1954—the first comprehensive review of the hydrogen bomb, the entire foundation of human affairs was revolutionized and mankind placed in a situation both measureless and laden with doom.

It is now the fact that a quantity of plutonium, probably less than would

What Churchill Says About Counterattack

LONDON

A Labor member of the British Parliament asked Prime Minister Churchill on March 3 whether the U. S. airplanes based in Great Britain could strike at an enemy without the consent of the British Government. The Churchill reply:

"Well, I suppose an immediate destructive surprise and treacherous attack by the hydrogen bomb upon this island might possibly be acted upon by our allies in the U. S. almost immediately without further prior consultation."

fill this box on the table—it is quite a safe thing to store—would suffice to produce weapons which would give indisputable world domination to any great power which was the only one to have it. There is no absolute defense against the hydrogen bomb, nor is any method in sight by which any nation or any country can be completely guaranteed against the devastating injury which even a score of them might inflict on wide regions.

What ought we to do? Which way shall we turn to save our lives and the future of the world? It does not matter so much to old people. They are going soon anyway. But I find it poignant to look at youth in all its activities and ardor and most of all to watch little children playing their merry games and wonder what would lie before them if God wearied of mankind.

The best defense would, of course, be bona fide disarmament all around. This is in all our hearts, but sentiment must not cloud our vision. It is often said that "facts are stubborn things." A renewed session of a subcommittee of the Disarmament Commission is now sitting in London and is rightly attempting to conduct its debates in private. We must not conceal from ourselves the gulf between the Soviet Government and the NATO [North Atlantic Treaty Organization] powers which has hitherto, for so long, prevented an agreement. The long history and tradition of Russia makes it repugnant to the Soviet Government to accept any practical system of international inspection.

A second difficulty lies in the circumstances that, just as the United States on the one hand has, we believe, the overwhelming mastery in nuclear weapons, so the Soviets and their Communist satellites have immense superiority in what are called "conventional" forces—the sort of arms and forces with which we fought the last war, but much improved. The problem is therefore to devise a balanced and phased system of disarmament which at no period enables any one of the participants to enjoy an advantage which might endanger the security of the others. A scheme on these lines was submitted last year by Her Majesty's Government and the French Government and was accepted by the late Mr. Vishinsky [Andrei Y. Vishinsky, Soviet Deputy Foreign Minister] as a basis of discussion. It is now being examined in London.

If the Soviet Government has not at any time since the war shown much nervousness about the American possession of nuclear superiority, that is because they are quite sure that it will not be used against them aggressively, even in spite of many forms of provocation. On the other hand, the NATO powers have been combined together by the continued aggression and advance of Communism in Asia and in Europe. That this should have eclipsed in a few years and largely effaced the fearful antagonism and memories that Hitlerism created for the German people is an event without parallel but it has, to a large extent, happened. There is widespread belief throughout the free world that, but for American nuclear superiority, Europe would already have been reduced to satellite status and the Iron Curtain would have reached the Atlantic and the Channel.

Unless a trustworthy and universal agreement upon disarmament, conventional and nuclear alike, can be reached and an effective system of inspection is established and is actually working there is only one sane policy for the free world in the next few years. That is what we call defense through deterrents. This we have already adopted and proclaimed. These deterrents may at any time become the parents of disarmament, provided that they deter. To make our contribution to the deterrent we must ourselves possess the most up-to-date nuclear weapons and the means of delivering them. This is the position which the Government occupy. We are to discuss this not only as a matter of principle: There are many practical reasons which should be given. Should war come, which God forbid, there are a large number of targets that we and the Americans must be able to strike at once. There are scores of airfields from which the Soviets could launch attacks with hydrogen bombs as soon as they have the bombers to carry them. It is essential to our deterrent policy and to our survival to have, with our American allies, the strength and numbers to be able to paralyze these potential Communist assaults in the first few hours of the war, should it come.

The House will perhaps note that I avoid using the word "Russia" as much as possible in this discussion. I have a strong admiration for the Russian people for their bravery, their many gifts, and their kindly nature. It is the Communist dictatorship and the declared ambition of the Communist Party and their proselytizing activities which we are bound to resist, and that is what makes this great world cleavage which I mentioned when I opened my remarks.

There are also big administrative and industrial targets behind the Iron Curtain, and any effective deterrent policy must have the power to paralyze them all at the outset, or shortly after. There are also the Soviet submarine bases and other naval targets which will need early attention. Unless we make a contribution of our own—that is the point which I am pressing—we cannot be sure that in an emergency the resources of other powers would be planned exactly as we would wish or that the targets which would threaten us most would be given what we consider the necessary priority, or the deserved priority, in the first few hours.

These targets might be of such cardinal importance that it would really be a matter of life and death for us. All this, I think, must be borne in mind in deciding our policy about the conventional forces, to which I will come later, the existing services.

Meanwhile, the United States has many times the nuclear power of Soviet Russia—I avoid any attempt to give exact

What Eisenhower Says About the H-Bomb

At his press conference on March 2, President Eisenhower was asked to comment on one of Prime Minister Churchill's statements. Following is the question-and-answer exchange, with direct quotation of the President's words, authorized by the White House:

Merriman Smith (United Press): Mr. President, Mr. Churchill said yesterday that Western superiority in the hydrogen bomb will prevent Russia from starting a big war within the next three or four years.

Now, from this, or from your own sources of information, do you get the idea that Russia will pull even with the West in three or four years?

The President: Anything dealing with such a subject, any conclusion, is really nothing more than a speculative estimate. However, we do know that the Western world has—has had and enjoyed—a great lead in this whole field, both in the atomic fission and atomic fusion.

Now, exactly how long that lead can be sustained is problematical, and again another factor enters this question: There comes a time, possibly, when a lead is not significant in the defensive arrangements of a country. If you get enough of a particular type of weapon, I doubt that it is particularly important to have a lot more of it. So I think that it would be unwise to attempt any fixed conclusions based on the information available to any of us.

figures—and they have, of course, far more effective means of delivery. Our moral and military support of the United States and our possession of nuclear weapons of the highest quality and on an appreciable scale, together with their means of delivery, will greatly reinforce the deterrent power of the free world, and will strengthen our influence within the free world. That, at any rate, is the policy which we have decided to pursue.

That is what we are now doing, and I am thankful that it is endorsed by a mass of responsible opinion on both sides of the House, and, I believe, by the great majority of the nation.

A vast quantity of information, some true, some exaggerated, much out of proportion, has been published about the hydrogen bomb. The truth has inevitably been mingled with fiction, and I am glad to say that panic has not occurred. Panic would not necessarily make for peace. That is one reason why I have been most anxious that responsible discussions on this matter should not take place on the British Broadcasting Corporation or upon the television, and I thought that I was justified in submitting that view of Her Majesty's Government to the authorities, which they at once accepted—very willingly accepted.

Panic would not necessarily make for peace even in this country. There are many countries where a certain wave of opinion may arise and swing so furiously into action that decisive steps may be taken from which there is no recall. As it is, the world population goes on its daily journey despite its somber impression and earnest longing for relief. That is the way we are going on now. I shall content myself with saying about the power of this weapon, the hydrogen bomb, that apart from all the statements about blast and heat effects over increasingly wide areas there are now to be considered the consequences of fall-out, as it is called, of wind-borne radioactive particles.

There is both an immediate direct effect on human beings who are in the path of such a cloud and an indirect effect through animals, grass and vegetables, which pass on these contagions to human beings through food.

This would confront many who escaped the direct effects of the explosion with poisoning or starvation, or both. Imagination stands appalled. There are of course the palliatives and precautions of a courageous civil defense, and about that the Home Secretary will be speaking later on tonight, but our best protection lies, as I am sure the House will be convinced, in successful deterrents operating from a foundation of sober, calm and tireless vigilance.

Moreover, a curious paradox has emerged. Let me put it simply. After a certain point has been passed it may be said, "the worse things get, the better." The broad effect of the latest developments is to spread almost indefinitely and at least to a vast extent the area of mortal danger. This should certainly increase the deterrent upon Soviet Russia by putting her enormous spaces and scattered population on an equality or near equality of vulnerability with our small densely populated island and with Western Europe. I cannot regard this development as adding to our dangers. We have reached the maximum already. On the contrary, to this form of attack continents are vulnerable as well as islands. Hitherto crowded countries, as I have said, like the United Kingdom and Western Europe have had this outstanding vulnerability to carry. But the hydrogen bomb with its vast range of destruction and the even wider area of contamination would be effective also against nations whose population hitherto has been so widely dispersed over large land areas as to make them feel that they were not in any danger at all.

They too become highly vulnerable; not yet equally perhaps but still highly and increasingly vulnerable. Here again we see the value of deterrents, immune against surprise and well understood by all persons on both sides—repeat, "on both sides"—who have the power to control events. That is why I have hoped for a long time for a top level conference where these matters could be put plainly and bluntly from one friendly visitor to the conference to another.

Then it may well be that we shall, by a process of sublime irony, have reached a stage in this story where safety will be the sturdy child of terror, and survival the twin brother of annihilation. Although the Americans have developed weapons capable of producing all the effects I have mentioned, we believe that the Soviets so far have tested by explosion only a type of bomb of intermediate power.

There is no reason why, however, they should not develop, sometime within the next four, three or even two years, more advanced weapons and full means to deliver them on North American targets. Indeed, there is every reason to believe that within that period they will. In trying to look ahead like this we must be careful ourselves to avoid the error of comparing the present state of our preparations with the stage which the Soviets may reach in three or four years' time. It is a major error of thought to contrast the Soviet position three or four years hence with our own position today. It is a mistake to do this, either in the comparatively precise details of aircraft development or in the measureless sphere of nuclear weapons.

The threat of hydrogen attack on these islands lies in the future. It is not with us now. According to the information that I have been able to obtain—I have taken every opportunity to consult all the highest authorities at our disposal—the only country which is able to deliver today a full-scale nuclear attack with hydrogen bombs at a few hours' notice is the United States. That surely is an important fact, and from some points of view and to some of us it is not entirely without comfort.

It is conceivable that Soviet Russia, fearing a nuclear attack before she has caught up with the United States and created deterrents of her own, as she might argue that they are, might attempt to bridge the gulf by a surprise attack with such nuclear weapons as she has already. American superiority in nuclear weapons, reinforced by Britain, must therefore be so organized as to make it clear that no such surprise attack would prevent immediate retaliation on a far larger scale. This is an essential of the deterrent policy.

For this purpose, not only must the nuclear superiority of the Western powers be stimulated in every possible way, but their means of delivery of bombs must be expanded, improved, and varied. It is even probable, though we have not been told about it outside the NATO sphere, that a great deal of this has been already done by the United States. We should aid them in every possible way. I will not attempt to go into details, but it is known that bases have been and are being established in as many parts of the world as possible and that over all rests the United States strategic air force, which is in itself a deterrent of the highest order and is in ceaseless readiness. The Soviet Government probably knows in general terms of the policy that is being pursued, and of the present United States strength and our own growing addition to it. Thus, they should be convinced that a surprise attack could not exclude immediate retaliation. As one might say to them: "Although you might kill millions of our peoples, and cause widespread havoc by a surprise attack, we could, within a few hours of this outrage, certainly deliver several, indeed many times the weight of nuclear material which you have used, and continue retaliation on that same scale. We have," we could say, "already hundreds of bases for attack from all angles and have made an intricate study of suitable targets." Thus, it seems to me with some experience of wartime talks, you might go to dinner and have a friendly evening. I should not be afraid to talk things over as far as they can be. This, and the hard facts, would make the deterrent effective.

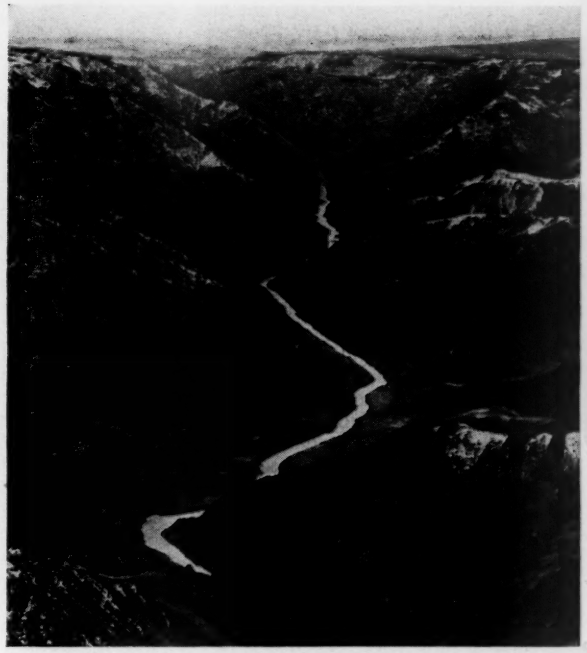
(Continued on page 78)

HOW FEDERAL ELECTRIC POWER SETS UP A "FAVORED CLASS" IN AMERICA

Everybody in the U.S. pays in taxes for federal government electric power dams and plants, wherever they're built. But under present law, a "favored class" of Americans has special privilege in getting the subsidized power these projects produce.

Here are three examples of how this strange un-American idea works. The result is that more than 4 million businesses, farms and families have part of their electric bills paid by 40 million others—the tax-paying customers served by *America's Electric Light and Power Companies**.

**Names of the Electric Light and Power Companies publishing this advertisement available from this magazine's advertising department.*



POWER FOR ALL—OR FOR THE "FAVORED CLASS"? Here at Hell's Canyon on the Idaho-Oregon border, a local electric company has been trying to get permission to build three big hydroelectric dams. These dams would be built without cost to taxpayers and would pay nearly $10 million annually in federal and local taxes. The power would go to *all* customers. But people who want power to go to "favored" groups are trying to push the government into doing the job with tax money, and have delayed the project for 7 years.

YOU HELPED BUILD THIS FOR THE "FAVORED CLASS." This big power plant in the TVA area was built by the government and paid for by everybody's taxes. But its power goes to factories, farms and families who don't pay the same electricity taxes the rest of us pay (taxes amount to about 20% of our electric bills).

IOWANS DON'T LIKE SUCH FAVORS. The federal government's Fort Randall Dam on the Missouri River was paid for by all Americans, but by law the "favored class" gets special rights to its electric power. In a recent Iowa public opinion poll, even *people in the favored class* voted 9 to 1 that such favoritism is *unfair*.

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I must make one admission, and any admission is formidable. The deterrent does not cover the case of lunatics or dictators in the mood of Hitler when he found himself in his final dug-out. That is a blank. Happily, we may find methods of protecting ourselves, if we were all agreed, against that.

All these considerations lead me to believe that, on a broad view, the Soviets would be ill-advised to embark on major aggression within the next three or four years. One must always consider the interests of other people when you are facing a particular situation. Their interests may be the only guide that is available. We may calculate, therefore, that world war will not break out within that time. If, at the end of that time, there should be a supreme conflict, the weapons which I have described this afternoon would be available to both sides, and it would be folly to suppose that they would not be used. Our precautionary dispositions and preparations must therefore be based on the assumption that, if war should come, those weapons would be used.

I repeat, therefore, that during the next three or four years the free world should and will retain an overwhelming superiority in hydrogen weapons. During that period it is most unlikely that the Russians would deliberately embark on major war or attempt a surprise attack, either of which would bring down upon them at once a crushing weight of nuclear retaliation. In three or four years' time, it may be even less, the scene will be changed. The Soviets will probably stand possessed of hydrogen bombs and the means of delivering them not only on the United Kingdom but also on North American targets. They may then have reached a stage not indeed of parity with the United States and Britain but of what is called "saturation." I must explain this term of art. "Saturation" in this connection means the point where although one power is stronger than the other, perhaps much stronger, both are capable of inflicting crippling or quasi-mortal injury on the other with what they have got. It does not follow, however, that the risk of war will then be greater. Indeed, it is arguable that it will be less, for both sides will then realize that global war would result in mutual annihilation.

Major war of the future will differ, therefore, from anything we have known in the past in this one significant respect: that each side at the outset will suffer what it dreads the most—the loss of everything that it has ever known of. The deterrents will grow continually in value. In the past an aggressor has been tempted by the hope of snatching an early advantage. In future, he may be deterred by the knowledge that the other side has the certain power to inflict swift, inescapable and crushing retaliation.

Of course, we should all agree that a world-wide international agreement on disarmament is the goal at which we should aim. The Western democracies disarmed themselves at the end of the war. The Soviet Government did not disarm, and the Western nations were forced to rearm, though only partially, after the Soviets and Communists had dominated all China and half Europe. That is the present position. It is easy, of course, for the Communists to say now, "Let us ban all nuclear weapons." Communist ascendancy in conventional weapons would then become overwhelming. That might bring peace, but only peace in the form of the subjugation of the free world to the Communist system.

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The hydrogen bomb has made an astounding incursion into the structure of our lives and thoughts. Its impact is prodigious and profound, but I do not agree with those who say, "Let us sweep away forthwith all our existing defense services and concentrate our energy and resources on nuclear weapons and their immediate ancillaries."

The policy of the deterrent cannot rest on nuclear weapons alone. We must, together with our NATO allies, maintain the defensive shield in Western Europe.

Unless the NATO powers had effective forces there on the ground and could make a front, there would be nothing to prevent piecemeal advance and encroachment by the Communists in this time of so-called peace. By successive infiltration the Communists could progressively undermine the security of Europe. Unless we were prepared to unleash a full-scale nuclear war as soon as some local incident occurs in some distant country, we must have conventional forces in readiness to deal with such situations as they arise.

We must, therefore, honor our undertaking to maintain our contribution to the NATO forces in Europe in time of peace. In war, this defensive shield would be of vital importance, for we must do our utmost to hold the Soviet and satellite forces at arm's length in order to prevent short-range air and rocket attack on these islands. Thus, substantial strength in conventional forces has still a vital part to play in the policy of the deterrent. It is perhaps of even greater importance in the cold war.

Though world war may be prevented by the deterrent power of nuclear weapons, the Communists may well resort to military action in furtherance of their policy of infiltration and encroachment in many parts of the world. There may well be limited wars on the Korean model, with limited objectives. We must be able to play our part in these, if called upon by the United Nations Organization. In the conditions of today, this is also an aspect of our Commonwealth responsibility. We shall need substantial strength in conventional forces to fulfill our world-wide obligations in these days of uneasy peace and extreme bad temper.

Sir, to sum up this part of the argument, of course, the development of nuclear weapons will affect the shape and organization of the armed forces and also of civil defense. We have entered a period of transition which the past and the future will overlap. But it is an error to suppose that, because of these changes, our traditional forces can be cast away or superseded . . .

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The argument which I have been endeavoring to unfold and consolidate gives us in this island an interlude. Let us not waste it. Let us hope we shall use it to augment or at least to prolong our security and that of mankind. But how?

There are those who believe, or at any rate say, "If we have the protection of the overwhelmingly powerful United States, we need not make the hydrogen bomb for ourselves or build a fleet of bombers for its delivery. We can leave that to our friends across the ocean. Our contribution should be criticism of any unwise policy into which they may drift or plunge. We should throw our hearts and consciences into that."

Personally, I cannot feel that we should have much influence over their policy or actions, wise or unwise, while we are largely dependent, as we are today, upon their protection. We too must possess substantial deterrent power of our own. We must also never allow, above all, I hold, the growing sense of unity and brotherhood between the United Kingdom and the United States and throughout the English-speaking world to be injured or retarded. Its maintenance, its stimulation and its fortifying is one of the first duties of every person who wishes to see peace in the world and wishes to see the survival of this country.

To conclude, mercifully, there is time and hope if we combine patience and courage. All deterrents will improve and gain authority during the next ten years. By that time, the deterrent may well reach its acme and reap its final reward. The day may dawn when fair play, love for one's fellow men, respect for justice and freedom, will enable tormented generations to march forth serene and triumphant from the hideous epoch in which we have to dwell. Meanwhile, never flinch, never weary, never despair.

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STEEL AND AUTO BOOM—WILL IT GO ON?

Why Industry Expects A Dip in Autos and Steel

AUTOS
IN 1955—

Auto producers do not expect to make more than..... **6.6** million new cars

But production now is at an annual rate of about..... **8.8** million new cars

SO—
AUTO OUTPUT IS EXPECTED TO DECLINE AT LEAST THIS MUCH:

FROM **4.0** million cars in the first half of the year

TO **2.6** million cars in the second half of the year

DECREASE: 35%

STEEL
IN 1955—

Steel producers do not expect to make more than..... **107** million tons

But production now is at an annual rate of about..... **112** million tons

SO—
STEEL OUTPUT IS EXPECTED TO DECLINE AT LEAST THIS MUCH:

FROM **56** million tons in the first half of the year

TO **51** million tons in the second half of the year

DECREASE: 9%

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It begins to look as if autos and steel—industries that have led the business recovery—might soon be losing steam.

At least that is what you find when you study estimates by leading authorities in these industries.

Slowing down in these two big lines would be likely to interrupt the boom in business, at least for a few months.

The 1955 boom is running ahead of the most optimistic forecasts made by business leaders.

In two main industries—autos and steel—the rise is so steep that questions are being raised: Will the boom run out of fuel? Is a drop likely in the near future, at least in these two lines?

The accompanying chart shows that the answer is "yes," even if you go by the highest estimates of what will be produced and sold in 1955.

The prospect facing the industries is a familiar one. They are turning out more than they can continue to sell, judged by their own long-range forecasts for the year. This is possible—but only for a short time—for two reasons.

First, industry's customers are building up inventories, rounding out stocks that got too low in 1954 and hedging against the chance of strikes and price advances months from now. The second reason is the competitive race which causes the auto companies to rush output and sales on the principle of "git thar fustest with the mostest."

What industry leaders are saying means the gain now is at the risk of a dip later on. If the drop comes, the business recovery, in the second half of the year, will be put to a test—by the loss of two strong forces that helped get the pickup going in the first place.

The year 1954 started as a recession period. Then, in the autumn, steel and autos staged a comeback, and a broad recovery got going. Now it seems that 1955 may turn out just the opposite: After a fast start, there may be a slowing down, tied again to steel and autos.

That possibility is indicated by the statements of businessmen themselves.

The situation in autos. The biggest output expected for 1955 in the auto industry is 6.6 million new cars.

A statement by Harlow H. Curtice, president of General Motors Corporation, indicates he feels fairly sure of a market about that large, though he doesn't rule out a slightly higher figure—say, 6.7 million.

Mr. Curtice believes the industry will ship about 7.5 million trucks and cars to domestic dealers this year. Assuming about 1.1 million trucks are shipped, there would be about 6.4 million cars. Exports would boost this figure to about 6.6 million.

Some other auto executives think that figure is too high.

By contrast, the output of new cars is way above any of these predictions. The rate in recent weeks has been about 9 million a year. Even with a dip in the next few months, the pace for the first half of 1955 is expected to average 8 million. In other words, the industry expects to make 4 million by June 30.

That leaves 2.6 million to be made in the second half of the year—if you take the highest figure for 1955—and 2.4 million or less, if you accept a more conservative industry view.

On either basis, the industry will be running at a lower level than in the second half of 1953, when a recession was under way, or in 1954.

Where trouble shows up. Signs of trouble in the auto industry are showing up already.

Stocks of new cars in dealers' hands are estimated by some trade sources at about 650,000. Back in October, dealers held only 158,000.

New cars are appearing on second-hand lots, released at a big discount by dealers anxious to unload.

Here and there, the assembly lines have begun to falter in their swift pace. Output, in some weeks, hasn't always kept up to the advance schedules.

Why has this situation come about? Part of the answer lies in the fear of strikes. General Motors' contract with the United Automobile Workers, CIO, expires on May 29 and Ford's contract expires on June 1. The union can strike after that, unless negotiations are going favorably.

This year, chances of an easy settlement do not look bright. The union is pressing for some form of guaranteed annual wage. General Motors is showing opposition to the demand.

Dealers, fearing a strike, are more willing than in 1954 to load up with cars. Companies are anxious to make as many as possible before the deadline.

Another reason, tied in with that one, is the competitive race. Cars have been selling at a record rate. Every company

(Continued on page 82)

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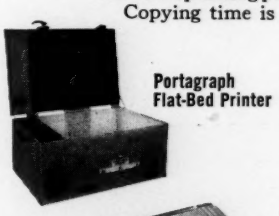

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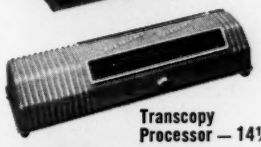

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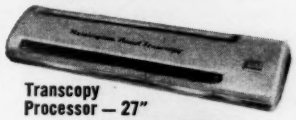

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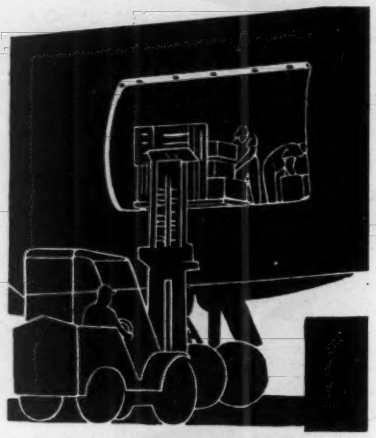

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Special Report

. . . Buying rush, stocking up are temporary

is trying to better its position. There is a desire to make the most of the boom-time market while it lasts.

The buying rush, the stocking up are temporary.

The situation in steel. The steel industry is not yet feeling the effect of overproduction, the way the auto makers are. Its problem seems further off.

The mills are pouring ingots at a rate of about 112 million tons a year. Even so, they have not been able, as yet, to catch up with demand. Rate of output is expected to go as high as 120 million tons before June 30.

No one in the industry believes that pace will hold through the rest of 1955.

COMING UP: MORE AUTOS
. . . the rush before the summer lull?

An optimistic study by the American Iron and Steel Institute indicates a market for about 107 million tons in 1955. Officials of one large company are figuring on 100 million. Benjamin F. Fairless, chairman of the board of the U. S. Steel Corporation, has spoken "conservatively" of 95 million.

So, here again, output is running well above the best prospects, as seen by the industry itself.

By the end of this month, the mills will have poured 28 million tons. By the end of June, the way the schedules are now shaping up, they will have made 56 million tons. That will leave only about 51 million to be made in the second half, if the full-year total is 107 million tons.

Last year, steel users, including the

(Continued on page 83)

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. . . Steelmakers expect wage and price rises

auto companies, let their inventories dwindle. Many fabricators felt they could get along with a 45-day supply. They found that an order for steel would get results in about that length of time.

Then, when the auto industry shifted into high gear, the situation changed. Steel users are finding that it sometimes takes 60 days or longer to get delivery on an order for steel. So they want a larger inventory to keep from running short.

Fear of strike. Possibility of a steel strike makes a fat stock of steel seem even more desirable at this time. The industry's contract with the CIO Steelworkers permits a strike June 1, if the union is not satisfied with the way wage negotiations are going.

Manufacturers figure wages in the steel industry will go up, whether or not there is a strike. After a wage boost, they expect a price boost. The industry raised prices quickly the last time it raised wages. So steel that is bought and stashed away at present prices may represent a saving later on. That's another reason for buying ahead.

Some of this demand is likely to slacken in the near future.

Soon it will be too late to hedge against a steel-price rise. Order books for the second quarter are getting filled up, and steel delivered in the third quarter might very well carry a higher price. The practice in the industry is to charge the price in effect at the time of delivery, regardless of when the order was received.

The key: car output. Demand for steel also will weaken any time there is a drop in auto output. About 21 per cent of the finished-steel products are being used by the auto companies. Studies by the Economic Unit of *U. S. News & World Report* indicate that steel production will drop 8 to 10 per cent in the second half of 1955, depending on how sharp the decline in car production turns out to be.

Those estimates allow for an increase in steel going to other industries. A pickup is being noted in orders placed by the petroleum industry, railroads, machine-tool builders and others.

But the rise in construction, which helped the steel companies during the recession, is expected to level off.

Thus, the boom in autos and steel seems likely to be interrupted this summer. Then, the business recovery will tend to level off, at least until the seasonal pickup in the autumn, when the car manufacturers normally would shift into high gear again.

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Face to Face in Russia—

HOW SOVIET "BIG SHOTS" LOOK TO AN AMERICAN

This is the way William Randolph Hearst, Jr., just back from Russia, sizes up the Soviet leaders after talks with them:

Khrushchev—Calculating, ambitious, ruthless, dedicated to Communist control of the world.

Bulganin—Premier in name, but a front man without power to become dictator.

Molotov—Moscow's elder statesman, master propagandist who'll do as he's told.

Zhukov—Party man but an able general; he looks like the restraining force in Moscow.

Mr. Hearst and two associates were in Russia when Malenkov lost power. Here is what they told Washington newsmen upon their return.

Following is the full text of an address delivered by William Randolph Hearst, Jr., editor in chief of Hearst Newspapers, at the National Press Club in Washington, D.C., Feb. 28, 1955:

I'd first like to clear up three points. The first is to assure you that we had no invitation to Russia. The second is that we had no advance tip of any kind that important things would be taking place while we were there. And the third, that we had no assurance that we would positively be able to talk with any of the Soviet leaders. We applied for a visa and got it and went.

Our reason for wanting to go was simply to get a firsthand glimpse of the country, its rulers and its people. It was my father's conception of journalism that it can and should be, and he made it, an exciting and audacious enterprise.

The original suggestion for this trip was made to me at the Gridiron Dinner last December by Dave Sentner, a member of your Club and bureau chief of the Hearst Newspapers in Washington.

I had been mentally kicking the idea around, I guess, almost ever since it became apparent that the atmosphere in Russia had undergone a change after Stalin's death. I don't think I would have gone while he was there.

While we were debating it, I got a bright idea. It proved to be just about the best idea I ever got. I said I would go on only one condition, or rather two, which was that Joe Kingsbury Smith, International News Service European general manager, and Frank Conniff, my editorial assistant, go along. Joe, with nearly 20 years' experience as a foreign correspondent, was, I knew, familiar with the Soviet problems and knew his way around diplomatic circles. Frank had served as a war correspondent in Europe and Asia, in addition to his city-side experience as a reporter and rewrite man for the New York *Journal-American*. He is a student extremely well informed on history and military affairs. Finally, as you probably know, he is my right hand here at home. With these two close friends and associates, I felt we could handle any curves they might throw at us.

The request for the visas was made by Dave to a Soviet Embassy official here at the Press Club—in the bar—on Christmas Day. January 4 we were told that we had been cleared, and on January 20 we flew to Paris. There we picked up Joe. So, on January 25 at 6 a.m. of a cold, wintry morning, we boarded a plane in East Germany for Moscow. It was a twin-engine Convair-type plane which flew most of the time at an altitude of about 8,000 feet. We made one stop at Vilna, the capital of Lithuania, and just after dusk landed gently, I must say, in a snow storm at the Moscow Airport. The flight had taken seven hours.

I want to make an insert right here and tell you now we went about getting these interviews.

The very next morning a Russian lady stenographer appeared with a typewriter. That was interesting in itself, but it turned out that what she was there for was to transcribe in Russian characters on her typewriter the letters which Joe had written out, directed to the Foreign Office, requesting interviews with all of the top group, including, I want to say here, Bulganin [the new Premier]. The report by *Time* that we only tried to see Bulganin at the suggestion of Khrushchev [the new party boss] is completely erroneous. After all, there are two kinds of time—the right time and the wrong time. We were there at the right time.

We became aware from the very first day of our arrival that we were getting the red-carpet treatment—no question about that—or rather what we call the "white-wall treatment," from the tire sides of the gleaming Packard-like Zis that was made available to us. When we first got there, we got a Buick-type machine. They build four cars. The next-to-top car is the Buick. After our first interview appeared on page 1, we got promoted to a Packard without any request by us.

We knew we were seeing and would see only what the Soviet Government wanted us to see and that no secrets or unflattering inner problems would be exposed to our gaze. But what we did see of the Russian people encouraged us to believe that a strong sentiment of friendliness toward Americans exists among them.

When we were recognized as Americans—or spotted, if you will—in the streets, the theaters or restaurants or stores, we were greeted almost invariably with friendly looks, an occasional smile. There were no incidents, or no hostility shown us at any time by either individuals or as a plan. Joe says that honestly he's been looked at worse and tougher in Com-

mie sections of France, as a general thing. Ten postwar years of anti-American propaganda seem to have less effect on the Russian people than one might expect.

In fact—you know, I don't know who the fellow responsible is for drumming up anti-American propaganda, but I wouldn't want his job, because it hasn't gone well.

Now for an over-all impression of life in the Soviet as seen from two of its main cities only—Moscow and Leningrad. We didn't try and get around, actually, because if we had and they called up and said you can see somebody and we hadn't been there, we'd have just blown it. So, we stayed pretty close to home.

I would say that living conditions in Russia are less bad than the West generally believes, but by no means as good as the Russian people are led by their Government to think they are.

The subjects of our interviews ranged from Khrushchev to Shostakovich, the composer; from Premier Bulganin to Ulanova, the ballerina; from Marshal Zhukov to the Patriarch Alexei, the head of the Russian Orthodox Church; from Molotov to Svetlana Stalin, the late dictator's daughter.

In addition, we literally spent hours in discussion with the leading Western ambassadors, checking our impressions and gauging our reactions against the experience of these diplomatic representatives. Our own Ambassador, Chip Bohlen, was most helpful and considerate. We consulted him every step of the way and made certain that no move of ours would embarrass the American policy. We turned over verbatim transcripts of our interviews with Khrushchev, Bulganin, Molotov and Zhukov to the Ambassador as soon as Joe could type them out following our return from the Kremlin. I don't think I violate any confidence when I say the Ambassador congratulated us for what we achieved from a diplomatic as well as a professional standpoint.

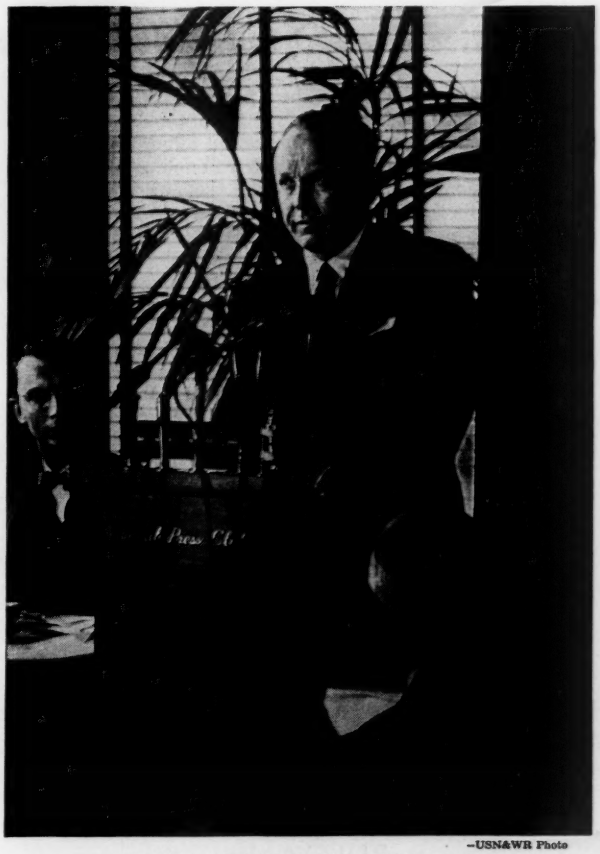
I want to say here that Joe took down in shorthand everything that was said. As we went to interview these guys, there was a little shorthand fellow, an interpreter of their own, Troyanovsky. He was a son of the Russian Ambassador, I think, who was over here during the war, speaks English with an American accent. Nice little guy, friendly little guy, sort of. He talks like we do instead of with a British accent, which you usually hear in Russia. And he sat down, opened flat the book. And I think to their surprise, certainly to mine—for as long as I've known Joe I didn't know he had his own chicken scrawling—he [Joe] opened the book [too] and started in. So the two of them were going at it, and they knew that at all times we had a full transcript of it.

We all came away feeling that America has on the spot in Moscow in Mr. Chip [Bohlen] a man whose training and background have well prepared him for the painstaking job of unscrambling the devious Russian moves and puzzling shifts in Communist policy.

To lend some perspective to our Russian journey, I made certain that at both ends it would be sandwiched in with talks with influential soldiers and statesmen of the free world. At Paris, on the way in, we talked with General Gruenther, the SHAPE Commander. Al Gruenther has a keen, agile mind and a penetrating understanding of the problems that we face in Europe.

And, on our way home, when we reached London, after flying from 6 in the morning till about 11 or 12 at night, our time, I experienced what for me was the climax of the whole trip. I spent an hour with Sir Winston Churchill in the historic Cabinet room at 10 Downing [Street].

Earlier in the day we had lunch with Minister of State Tony Nutting and then talked extremely frankly with Sir Anthony Eden at the Foreign Office. But that hour with Sir Winston was something really special. He listened closely while I gave my impressions of the Russian leaders and ventured a few



—USN&WR Photo

WILLIAM RANDOLPH HEARST, JR.

thoughts on the significance of recent Russian moves. For the most part, we agreed not only in principle but in many interesting details.

I assume that one of the questions uppermost in your minds must be whether the new leadership in Russia is more or less likely to precipitate a war with us one of these days. As I have written in the article which ran today in the [Washington] *Post*, I must say that the strongest hope of peace which I found in my three weeks' visit in the Soviet Union was the shrewdness of these rulers of Russia. They believe the end justifies the means, and for them the end remains Communist domination of the world. There isn't any question about that or never was in our minds.

Khrushchev said to me quite frankly that they hoped to gain the upper hand one day. And you know what happens to the guy who winds up at the lower end. These men are cold, calculating realists.

I don't believe they are possessed by the madness that drove Hitler to bring Germany down in ruin, nor by the recklessness that led Mussolini to tie Italy tight to the shooting star of Nazidom's short-lived conquest. They know the destructive power of nuclear weapons. Even if they possess the H-bomb, which some British officials doubt, and even if they use it first, they know that America has superiority in these weapons and ample means to deliver them.

Furthermore, as Eden put it to us, and which is true, the Soviets have now become the bourgeois of the Communist world. They have established an empire extending from the heart of Germany to the borders of China. They are becoming property owners. They have cars, television sets, iceboxes,

. . . "They could not pull an atomic Pearl Harbor on Uncle Sam"

some even country homes. They have a vested interest to protect.

As long as they feel that they are not going to be directly attacked, I seriously doubt that they will deliberately precipitate a thermonuclear war. Come the time when the Soviets thought they could deliver a knockout blow that would neutralize the U. S., then the temptation to strike would be strong, and I wouldn't give odds that they'd take a shot at us.

For the present, however, I think they realize that they could not pull an atomic Pearl Harbor on Uncle Sam without getting back a nuclear punishment that might well knock the Red daylights out of them. That is why I say here, have written in our papers, and told President Eisenhower—and I reported to him last Saturday on my return—that we felt the present American policy of firmness without provocation, of keeping our guard up and maintaining a strong retaliatory force in readiness, was the correct one.

We must never make the mistake that we made before and think that we can base our relations with the Soviet Government on trust in their good intentions—or their words, for that matter.

The present leaders were all part of the top echelon of the regime during the period when Stalin broke faith with us. These men were all in the Kremlin or close to it during the bloody purges. And, therefore, we must not be misled by their smiling, benign appearances when they wish to be friendly in order to serve their own ends.

The history of Soviet Russia during the past 30 years has shown that one can never be sure what is going to happen, especially within the inner circle of the Red hierarchy. As Marshal Zhukov said to us, "Fortune tellers can go wrong too, you know."

SIZING UP BULGANIN—

Now as to the personalities. My own opinion is that if another Stalin is to emerge on the Russian political scene, it will not be the new Premier. Bulganin, with whom we all talked for over an hour, did not impress us as the type who would be capable of seizing power and making himself the absolute ruler as Stalin did. He lacked the dynamic personality and forcefulness of Khrushchev even. He does not seem to possess the cunning that would be required for victory in a struggle for power inside the Kremlin.

Bulganin struck me more as a front man for the principle of collective leadership. That principle, I think, for the time being at least, continues to be the basis on which the Soviet system is now being run.

In his talk with us, Bulganin adopted a conciliatory tone. He seemed to be trying to offset the violent attacks on the United States which he himself and Molotov had made just a few days before in the Supreme Soviet. We took him to task for those attacks. We told him we did not see how he could reconcile them with the protestations for improved relations with our country. He denied that the attacks reflected any decision of the new Government to pursue a more antagonistic attitude toward us. He insisted the Soviet leaders were sincere in their desire for re-establishment of normal, friendly relations with America.

There's so much double-talk in Soviet verbiage that it's difficult to know when they're speaking the truth. They can always go back and say: "Well, on that day, don't you see, I said so and so"—and they did, probably, and the same day they said just the opposite. So they can refer to their notes with great convenience. However, I do feel that they think that it is in their own interest to try to improve relations with us.

We thought we smoked out Bulganin on one thing. Molotov had claimed in the Supreme Soviet that Russia had surpassed the United States in the production of hydrogen bombs. We called Bulganin's attention to the warnings of scientists that the continued explosion of nuclear weapons could have dangerous effects on human and animal life. We asked him whether Russia would be willing to enter into an agreement with the United States and Great Britain to limit the number of these explosions for experimental purposes.

The quick and sharply negative reaction of the Soviet Premier convinced us that the Russians are behind us in the stockpiling of these new weapons. That's what he referred to. That's another thing about setting off the bombs—it's the stockpiling that they're worried about. Whatever they're worried about is good for us—believe me.

"THE BOSS": KHRUSHCHEV—

Of the four top leaders we met, Khrushchev was in many ways the most impressive. If any of the four were to grab power and build himself up into a Stalin-like dictator, my guess is that it would be this boss of Russia's 7 million Communists. A bull-necked, blunt, rugged individual, this heavy-set little man with small blue eyes and aggressive vitality gave the impression of being boss of the Kremlin at the moment and knowing it.

On the day Malenkov publicly lost his job as Premier, it was Khrushchev who dominated the scene in the Supreme Soviet, who nominated Bulganin as his successor, and, as he did so, he remarked that he was sure the Deputies would accept the suggestion. He was right. There was more than an expression of hope in the remark. It was clear that the boss was speaking. No one else was nominated and no one else spoke up for nor, needless to say, against Khrushchev's candidate.

The vote was called and the hands of 1,300 Deputies popped up automatically into the air. The chairman glanced quickly over the room, said there were no dissenters and no abstentions—how he could tell that, I don't know—and announced that it was unanimous. That was democracy at work in Russia.

During our private interview with Khrushchev, which lasted about two and a half hours, he spoke with a voice of authority, unquestionably. He did not seem to bother to weigh his words. He spoke on foreign policy, you know, which ordinarily might have been out of his line. Molotov stuck to foreign policy, the other fellow stuck to military, another fellow stuck to local. Not Khrushchev. Anything. Anything goes. His interview lasted two hours and three quarters, actually, and had to go four of the six columns in *Pravda* and jump inside to another three or four—I've forgotten.

He did not seem to bother to weigh his words the way Bulganin, Molotov, and even Marshal Zhukov had to. He was fast on the comeback and he talked with as much ease about foreign affairs as he did about internal policy. He made no bones about the hope of the Communists to gain the upper hand in the world one day, and he sought to convince us that the Soviet leadership wants to confine the global struggle between the Communist and capitalistic systems to measures short of war.

Unlike American Communists, he and most of the other Soviet leaders we met displayed a sense of humor. He laughed and joked and at times showed flashes of wit. He would doubtless have ordered us liquidated without batting an eye if he thought it would serve Soviet interests, but he can be amiable.

I wrote, and I should suppose, naturally—all of you read

. . . "Molotov seems to lack the flair for lone-wolf leadership"

about McCarthy [former chairman of the Senate Investigations Subcommittee]. He [Khrushchev] made a joke at the end as we were leaving and finished up this long thing, and he said to us, just out of no place, he said "Now, when you get back, if and when you get called up before the McCarthy Committee for associating with the head of the Communist Party, I'll be willing to testify that you all ably represented your point of view." Find me one of those boys over here who doesn't froth at the mouth at the name McCarthy.

He said quite frankly that he could appreciate the feeling of our countrymen about Communist China's imprisonment of the American airmen, and added that he personally hoped the matter would be settled satisfactorily, which is more recognition of the wrong that has been done by the Peiping regime to our fliers than we would get from Communists and fellow travelers here at home.

As for Molotov, he seems to have become the elder statesman, all right, of the Soviet Government—he was Premier once, as you all know. Always the professional diplomat, he was cautious in his statements but quick to give us the propaganda line on anything. We talked at length about American military bases, or rather he did, surrounding the Soviet Union, and he referred to our protection of Formosa as "interference in the internal affairs of China."

He spoke deliberately with an air of self-confidence as though supreme in the handling of Soviet diplomacy, which I'm sure he is, without worry about what the other members of the Presidium might think of his methods or words. However, I've much the same feeling about him that I have about Bulganin. I don't quite picture Molotov developing into another Stalin. He seems to lack the flair for lone-wolf leadership.

The Western diplomats thought the most important part of this conversation with Molotov concerned the question of a temporary cease-fire in the Formosan area. This had to do with proposed evacuation of the Chinese from the Tachen islands, as you know.

When we put the question to Molotov, he said he thought hardly anyone would oppose such an operation—or would hinder it. Upon our return to Washington, we were told that this remark of Molotov may have contributed something to the decision to send the U. S. Navy over there.

FRANKNESS FROM ZHUKOV—

Of all the four top men with whom we talked, Marshal Zhukov was the most pleasant, and, somehow, I guess because of his American associations, you felt that you were a little bit nearer to the fellow. Not that you were going to sell him anything, but he seemed to talk a little more frankly.

He received us alone except for our interpreter-guide. He didn't have Troyanovsky. He didn't have an Army shorthander. He took our fellow—not that he was ours, now, mind you, he was an Intourist Russian fellow and he made the notes. But there could have been a mike under the table, for that matter.

There's an odd thing about that, and I'll make it quick. Our fellow put his notes in his pocket when we were through and we went off to Leningrad the next day, and in Leningrad I asked him—Leonid his name was, some unpronounceable last name—whether they'd asked him for the notes, whether they'd taken the notes away from him. He said, "No, I've got them still." It was only when we came back, which we had not intended to do, that they borrowed his notes, and the next day it appeared in *Pravda* again.

What it means, I don't know. But apparently Marshal Zhukov did not go to the trouble of making his own notes. He had to get our guide.

Here was the old soldier who had been on such friendly terms with General Eisenhower in the closing period of the European war and for a short time thereafter, sitting in the corner with three American newspapermen sitting around popping questions at him. I must say that they are either awful sure of themselves or they blundered somewhat, because they took on the three of us in every instance, come what may—no advance questions, no writing them out in advance, and, boy, we worked up some pips, I can tell you that.

One question Joe asked him was that if he was Al Gruenther, what would he think of the situation—would he need—would he like to have German assistance in, you know, the European defense.

He swallowed once. He said, "Well," and very cleverly, I must say—they rarely answer directly—he said, "Well, if the General realized who his enemy was, he wouldn't—you know, we're not his enemy—he wouldn't be talking like that." You know they go off on a tangent. He didn't answer the question.

This forthright military man commanded the defense of Moscow, prepared the Soviet stand at Stalingrad, and led the Red Army to victory against Germany in Berlin. He gave me the impression of being sincere in his expressed hope for improved relations with the United States and the warm sentiments he voiced about President Eisenhower.

I felt almost a sense of relief later when I heard that he had been moved up to the post of Minister of Defense. He would not hesitate to do everything within his power to defeat us in the event of war between our two countries, but because I believe that soldiers like the President and Zhukov know all too well the horrors of war and want to avoid it, I believe that promotion is almost for the better.

The presence of Zhukov in the high councils of the Soviet regime might literally be a conservative, perhaps even restraining, influence on recklessness. But, he's a dedicated Communist, being a member of the Central Committee, and said once or twice to us, "We soldiers follow the party line."

SOLDIER FOR PEACE?—

Nevertheless, I had the feeling that Zhukov was a patriotic soldier first and an international Communist second. As long as he remains in the top echelon of the Government, I feel he would raise his voice strongly, and perhaps effectively, against any demands for a war that might lead to the destruction of "Mother Russia."

With these four coldly realistic men at the top in the Soviet Union, I could not help feeling that any immediate threat to world peace is more likely to come from Red China than Russia.

Khrushchev told us he was confident that the Chinese Communist leaders would show what he described as common sense in this respect.

If that is so, and we are not going to have war in the foreseeable future, then I believe we are going to face a struggle that may prove more difficult for us to wage successfully than a military conflict. In the long run, however, this struggle will involve the survival of our way of life just as much as war would.

I am referring to the conflict of competitive coexistence. This is intended to be an ideological and economic struggle aimed at achieving Communist domination of the world by measures short of an all-out war. That is what we face now. It will be much less terrifying and much less destructive in a material way than a military conflict. It will be far more

. . . "Preparedness alone will not win battle of coexistence"

subtle than the "cold war" was under Stalin. Though its ultimate objectives, as far as we are concerned, will obviously be the same.

The second half of this twentieth century will determine whether Khrushchev was right when he told us that Communism would ultimately gain "the upper hand" throughout the world.

"CHALLENGE OF THE FUTURE"

This indicates the challenge of the future as clearly as any other hint during our three weeks' visit to Russia.

The faith of the bald, blunt man who bosses the 7 million card holders in Russia must be matched by a belief just as strong and just as deep here.

Time alone will tell whether the free world is equal to the sacrifice, the self-denial and the courage required to first control and then turn the tide against Communism.

That means keeping our guard up. It means being prepared for the next 5, 10 or 20 years to risk war at any moment to restrain Communist imperialism from further military conquests, just as we're doing today in respect to Formosa.

We must not let coexistence lull us into a false sense of security.

Unless and until Russia, Red China and the rest of the Communist world accept a really effective system of international control and inspection of armaments, we must maintain in a state of constant readiness a powerful retaliatory force.

I am absolutely convinced that is the only hope of preserving world peace. For, let me repeat, if the Soviets or Chinese Reds thought they could neutralize us with a quick knockout blow, they would not hesitate to do so.

They are not refraining from war because they have renounced it as an instrument of national or international policy. Nor because they are worried about what war would mean for Western civilization.

We heard Molotov tell the Supreme Soviet, "World civilization will not perish no matter how much it might suffer from a new war."

He predicted that what would perish would be our way of life.

That should make it clear enough that the Soviet leadership does not rule out war because of its possible effect on civilization. It rules it out for the present simply because of the respect it has for the effectiveness of America's counter-offensive power.

We must continue to be prepared.

But preparedness alone will not win for us the battle of coexistence. Something more than that is needed.

I believe in the strength and ultimate survival of the free world's system, based on human freedom, the dignity of the individual, and private initiative and enterprise.

The Western program of building armed strength should be widened into a more flexible and imaginative strategy for competitive coexistence with the Commies in every field and on every front.

While in Moscow, I gained the impression that Communism was moving ahead in many fields which the present Western strategy overlooks or considers minor.

The arms race is not the only event in which they are competing with us. They have taken sports and culture—they call it—and the impressionable years of youth and transformed them into arenas of the cold war.

Dedicated materialists though they are, they are working mightily on the minds of men and seeking to capture the imagination of the susceptible.

Our reliance upon armed strength alone as our primary concern is permitting Communism to take long strides forward in those fields which we have largely neglected.

By inviting to Moscow picked delegations from the satellite countries and wavering neutrals like India, they strive to convey the impression that Soviet customs are superior to those of the West.

The delegations are carefully chaperoned, of course. They only see what the Communists want them to see. On that basis, the good things of Moscow can be impressive—the splendid Moscow ballet, the mosaic-adorned subway, the up-to-date classrooms of the towering Moscow University, the new apartment buildings—"skyscrapers" they call them—they always put an extra thing on top to make it go higher—and the progress that has unquestionably been achieved in the industrialization of a backward, almost primitive, agricultural nation.

It would be cause for wonder indeed if the Indians, the Chinese and even the Communist militants of Eastern Europe did not go back to their homeland somewhat impressed.

Sports is another front on which the Commies are moving full steam ahead. On one frigid night while we were there 75,000 Muscovites jammed Dynamo Stadium there—a sort of Yankee Stadium—to watch the home team humble West Germany in a hockey game, 10-3. Everybody in town knew it two minutes after the game was over.

The United States is likely to have a tough time at the 1956 Olympic games in Melbourne, when the Soviet enters a team which now is being prepared for this big test. America has dominated the modern Olympic games since their inception. It has also been a source of prestige to us throughout the world, especially with sport-conscious young people. How will the youth of the world feel, especially in the doubtful areas, if the Russian team ends America's long sway at Melbourne? It's just a shame.

Of course, these Russian athletes are not really amateurs. We might be able to put up a beef on that score, but I don't know. They are pros, they are trained under Government guidance, with Government help, and they receive bonuses and money prizes.

We should find some way, though, of making sure that our own Olympic contenders get everything they need in the way of training opportunities.

COMMISSARS IN THE ARTS

The lively arts are another field wherein the commissars are operating with the professed intention of proving to the young people of the world that Russian achievements far surpass the West.

The ballet, literature—all are shaped toward aiding Communism's long-range scheme of world domination. Top artists know that they are not only expected to perform, but to give their services at clinics where the plastic minds of youthful visitors can be influenced.

From Moscow radiate troupes of athletes and artists, circulating through the Soviet world and the satellites, venturing into countries like Red China and India with their gospel of friendly-nation sociability.

It stands to reason that such extensive wooing of impressionable minds is likely to pay dividends—unless we compete vigorously with the Communist effort and even surpass it. We have so much more to offer than the Communists that any comparison must show up in our favor.

But it is not enough to sit complacently by while the Soviet Union throws its smaller resources onto the scales and makes its weight felt because we do not choose to compete.

. . . "Friendliness in U. S. would dispel Kremlin propoganda"

Nor is it enough for us to advocate and appropriate large sums for foreign military and economic aid and think we have met the challenge.

Money is not enough. I came away from Russia convinced that only deep thought and long-range planning on our part would suffice to prevail over Communism in this conflict of "competitive coexistence."

Money spent on "foreign aid" will not get the most effective results unless it is thoughtfully expended in those fields where it will do the most good.

We should seek to convey to the world—to our allies, to the uncommitted countries especially, and to the Russians if possible—the idea that America is not only proud of its motor cars, bathtubs and other material benefits, but also of our cultural achievement.

I believe that any cultural exchange between Russia and the United States is certain to develop in our favor. Within limits, I think such exchanges should be encouraged.

"SOMEBODY WAS TIMID"

Last year apparently the Soviet Union welcomed a group of American student editors to Russia. The U. S. A. refused to grant visas to a similar group of young Russian students.

The reason given here was that a provision of the McCarran Act made it impossible to sanction the visas automatically—and I'm for the McCarran Act in principle. And neither the Justice Department nor the State Department would take the technical steps needed to circumvent the provision, whatever it was.

Somebody was timid on that one.

We had nothing to lose by exposing those young Communists to the wonders of our civilization. Their faith in Communism might have been rocked by a view of America with its vastly higher standard of living, its free press, its cultural institutions, its openhearted give-and-take manner.

And I'm sure the traditional friendliness of the American people would have dispelled the Kremlin's propaganda about our alleged warmongering and dedication to the destruction of Russia.

Everywhere we went in official Russia, the case of the student editors was thrown back at us. The foreign editor of *Pravda*—and, incidentally, we got in there for about four hours one night—the chauffeur didn't even know where to go—I don't think he knew where it was—our guide knew. The foreign editor of *Pravda* appropriated Winston Churchill's "Iron Curtain" phrase and asserted it was America, and not Russia, that had such a barrier.

What I would like to advocate here today is the establishment of a permanent planning board commissioned to formulate a strategy on all fronts for meeting the challenge of this intellectual "competitive coexistence."

This board should be scrupulously nonpartisan. It should be culled from the finest minds and talents available, both in public and private life.

It should survey the whole global scene and develop plans for the future for getting the peoples of the world on our side. Sports, theater, educational exchanges—no field should be neglected in this competition of the two conflicting systems.

Who can doubt that America would emerge on top in any such competition?

My suggestion is not blueprinted. It may even be a little vague—I realize it is a little vague. But formulating and implementing it would be the job of the planning group of men and women, each devoting time and energy to developing an over-all American strategy. We have a National Security Council—I would like to see a National Competitive Coexistence Council to combat Communism everywhere.

One side or the other is going to win this battle of competitive coexistence. It had better be our side.

Following are questions by members of the Press Club, as read by the Club's president, Lucian C. Warren, and answers by Mr. Hearst and his associates, Kingsbury Smith and Frank Conniff:

Q: I am going to start off with Mr. Kingsbury Smith, and ask him: Why did the Soviet leaders see you?

Mr. Smith: Mr. Chairman, gentlemen, it is true that one of the questions frequently asked us since our return is: Why did these four top Soviet leaders decide to receive and talk to us?

We found it rather difficult to believe that they did so because they thought they could convert Bill to Communism. Of course, it could have been that they were as misinformed about the Hearst Newspapers as they seemed to be about some other aspects of American life.

They may have thought that the Hearst chain was some sort of a collectivized newspaper farm. Only those nine men who formed the Presidium of that Central Committee probably know the real reason as to why they received us. Outside of that inner circle of the ruling group, one can only guess.

I have a hunch; it may be entirely wrong. I think that they received us, and took advantage of our presence in Moscow, in order to offset the effect of the violent attacks against the United States which they had decided that Molotov and Bulganin must make in the Supreme Soviet.

I think they felt it necessary to make those attacks against us because of the decision to curtail the production of consumer goods and concentrate once again on heavy industry. I think they felt that they needed a scapegoat for that decision.

The Russian people are no fools. They knew what that meant. It was a decision which was certainly going to be disappointing to the Russian people and was unlikely to enhance the popularity of the regime.

I think the leaders, therefore, felt they had to have a villain, they had to have an excuse other than perhaps the real one for that decision, as far as the Russian people were concerned, and, as you know, the favorite character for that role of villain is Uncle Sam.

While wishing to make the people believe that the U. S. was intensifying its preparations for war—and therefore they had to place greater emphasis on heavy industry—I think they did not want to alarm the United States, and certainly did not wish to make the American Government think that it needed more instead of less bases around the Soviet Union.

Therefore, I feel that they took advantage of our presence to adopt an extremely conciliatory attitude toward us. Now if, in the coming months, the name of the Hearst Newspapers is changed to Humanity, you will know my theory is wrong.

Q: I think that this next question is asked, "When did you apply for a Soviet visa and when was it granted?" That was taken care of in the main talk, but possibly Mr. Conniff would like to amplify a little. Do these dates offer evidence that the new Kremlin rulers wanted you to be on hand at the right time?

Mr. Conniff: Well, that idea, as Mr. Hearst said, originated here with Dave Sentner, and it moved quite quickly once we got it in motion, and I believe early in January we were informed that the visas were ready.

Now, Mr. Hearst had a business commitment on the [Pa-

. . . "The Russians may begin to have trouble with Red China"

cific] Coast last week end, and that was the terminal date for our going to the Soviet Union, and I recall the conversation. I said, "Well, that's fine, we will go in March; March would be a good month to go because the weather will be a little better and we will live a little better." So Mr. Hearst, looking at the calendar, said, "I think we can get it in before this commitment in California, and if we move fast we have got about eight or ten days. If we can leave on about January 20th we will get the whole trip in now."

So you can see the decision was fortuitous in that sense, that it was that kind of a decision.

On the other hand, the Soviets, the leaders of the Presidium, undoubtedly knew what was in the works in the way of a power shift within their little hierarchy, and, as we talked to Molotov, Khrushchev and Zhukov, their knowledge that an important announcement would be forthcoming was in their minds, and, as a matter of fact, some of the Western leaders deduced from that that Malenkov was in eclipse.

Now, as they talked to us, in other words, it was fully clear in their mind that Malenkov was going to step down a little and Mr. Khrushchev and Bulganin were going to move into new positions, and they had ample time to look around and stage their strategy in any way they saw fit. It could well be that somebody said, "Well, we do have these Western newspapermen here. They have been unflaggingly anti-Communist, and it is quite possible that as we hold this stick over the Russian people, that perhaps we had better hold our hand out a little to Uncle Sam." And it could be that we did figure in their strategy to that extent.

On the other hand, it was completely by chance that we were there at that time and, had Mr. Hearst come to my idea that we could live a little better in March, we would be over there next week mopping up a very old, tired story.

Q: I think your last statement there leads very nicely up to the next question, which I am going to ask Mr. Hearst. And it may come from your competitors, Mr. Hearst. They want to know, "Do you plan to submit questions to the top Soviet leader on the eve of 1956?" And he also wants to know, whoever this questioner is, "Who do you think he will be?"

Mr. Hearst: That is in the crystal-ball department. The first part is: No, we haven't any plans to make the trip over again, and the second part, as to who he will be, is beyond me. Your guess is as good as mine, and it would be nothing but a guess.

PRAISE FOR MR. BOHLEN—

Q: Now, we will go to Mr. Smith again, and somebody wants to know, Mr. Smith, "Is Ambassador Bohlen doing a good job?"

Mr. Smith: Is somebody daring me to say no?

It is very difficult for me to be objective in a question of that sort. I had the pleasure of knowing Chip for a long, long time. I am very prejudiced about him, but apart from my prejudice, I think most of you would probably agree with me that, in the light of his background and his training, his knowledge of Russia, the periods that he served there before, he certainly is well suited for that job, and most of the Western envoys that we talked to there had a very great respect and admiration for him.

Q: Mr. Conniff, during your interviews, what mention was made of Red China? Was American recognition or United Nations admission discussed?

Mr. Conniff: I don't believe so, unless Joe or Bill can recall the specific instance. Red China figured prominently in our discussions because of the Formosan situation, which, in the earlier part of our journey there, was very much in the news. It was leading up to—as we were in Moscow we were being informed of the votes back here in the Congress and the evacuation of the Tachen islands was projected and then carried out.

And, in all our questioning of each of these four leaders, Red China figured in in some way. Now, unless I can stand corrected, I do not think we raised the question of its entry into the U. N. or its recognition by America. It seemed to us that these people in Moscow were very much concerned about the adventures of their most important ally.

As Ambassador Bohlen pointed out, the Russians have a habit of working only for their real interests, and they are having an awfully difficult time convincing themselves that an island lying off the coast—many miles, thousands of miles from Moscow—off the coast of China, is in line with Russia's real interest.

They are not sold on that score in the opinion of most informed Western observers and of ourselves, and they realize that this risky course that Red China is pursuing could well involve them in much embarrassment.

On the other hand, if Red China is their only important ally, again I believe I quote Ambassador Bohlen, or maybe it was Sir William Hayter [British Ambassador to Moscow], that these people must stay together within the foreseeable future, but there was the feeling among us—and we discovered as we talked with leading Europeans, it was not entirely ours alone—that the Russians may begin to have trouble with Red China, and that the possibility, looking many years ahead, of course, that the Russians may be easier to wean away, than Red China from Russia. But that is so far in the future that, of course, it is just advanced as a theory. Thank you.

"NO GOOD IN RECOGNITION"—

Q: Mr. Hearst, somebody wants to dig a little bit into past history. "Was it a wise thing, Mr. Hearst, for us to recognize Russia?"

Mr. Hearst: No. I don't know what good it has done us. They damn well have to recognize us as a world factor and we would have to recognize them. What we have gotten out of it I don't know, frankly. What they have gotten out of it is a *laissez passer* around our country, pretty largely. We would be recognizing one another on the United Nations level, but I don't know that we have gained a whole hell of a lot out of recognizing Russia.

Q: Mr. Smith, you are over in Europe as the European chief of the bureau, and somebody wants to know, "Is there any anti-Communist underground in Russia from your observations?"

Mr. Smith: Well, three weeks ago in Moscow and Leningrad, and conversations with the Western diplomats—there was certainly not sufficient evidence to give us any idea as to whether any anti-Communist resistance exists.

We did hear, though, on one occasion, from a fellow American whose name I cannot identify because of his position, of a rather amazing incident or development that occurred there reflecting one of the rare occasions on which Soviet public opinion may have exerted its will on the Government in respect to religious matters.

We were told that, back in about 1951, the Government had conducted an investigation—not a poll, not a public poll, but an investigation, through their own agents—to determine the attitude of the people toward religion, and they found that not more than 40 per cent of the population was paying any attention to atheism.

. . . "They very much envy American yield from labor"

As a result of that, Stalin ordered an intensification of the antireligious campaign, and it went on during the course of the next few years. As part of that campaign, there was persecution indirectly of men whose wives had their children baptized or whose wives were known to be going to church, or whose young girls went secretly to confession.

Men who even belonged to the party, members of the Communist Party, whose wives were known to have some religious feeling, were transferred to inferior positions, and in some cases expelled from the party.

About a year ago the Government became aware of a slowdown in production, especially in the big cities of Moscow, Leningrad, and elsewhere. It went off at its climax 8 to 9 per cent. They were puzzled by it and they set to work, set the secret police to work, to find out the reason for it.

The police reported that it was the resistance of the people to this religious persecution, and last November—I think it was November—Khrushchev made a public pronouncement condemning persecution of people on religious grounds and insisting that the antireligious campaign be conducted and intensified on what he described as a scientific and educational level.

That certainly doesn't represent any organized anti-Communist underground resistance, but I think, if it is true, it is a great tribute to the strength of religion in the Russian people.

A 6-DAY, 48-HOUR WEEK—

Q: We have our labor reporters here, and one of them wants to know, Mr. Conniff, "Did you get any idea of how hard the Russian people are working? Is there any unemployment?"

Mr. Conniff: From what we learned, I don't think there is any unemployment in the sense that we use the word, because what they do, of course, is to get these norms and these quotas, and insist that the factories deliver them.

I believe they are working a 48-hour week, spaced over six days now, and it was apparent to us in our talk with Khrushchev that among other things he's concerned with is improving the labor output of each individual, that they very much envy American yield from its labor pool, especially in agriculture. He specifically said agriculture.

But unemployment is unknown because, if nothing else, they can always crack down a little and, while we were there, they had a campaign among anybody who was on the loose, and it was on a theme that should appeal, I would think, to most newspapermen. It was, "On to the virgin lands." I got a big laugh at that—it was an older group of men.

But that is a big campaign, and, of course, Khrushchev is talking about 400 million Russians now and even 600 million, and we think that that may show a certain cognizance of the big labor pool available to the Chinese, but I don't think there is any unemployment. If there was, they would have tried to put me to work. Thank you.

Q: We are having somebody else wondering why you have had so many exclusive interviews, and this is the way they pop the question, Mr. Hearst:

"Over the years the Soviet leaders have favored the Hearst organization with numerous exclusive stories and interviews, your recent bonanza being the latest example. How do you account for this? Could it be because the Bolshevists consider you as radical on the right as they are on the left, and therefore, have a certain feeling of kinship toward you?"

Mr. Hearst: Well, it could be anything. I think, largely, it is enterprise. Joe got two, at least, interviews, just plugging at it on his own, and we just applied and got there, and were there.

Also, I should think, because of that extreme difference between the two, if we print anything other than to say they are all what they are, they are ahead. They figure they would come out ahead on things like that.

If we tell you, as we have told you and which is so, that the people in the street exhibited a nonhostile and almost a friendliness, at least, I guess that is about the best thing we have ever said about Russia, to tell you the truth, so at this point they are ahead.

Q: We are running a little over our time, but I am going to take just one more round for the three of you. "Mr. Smith, do people in the Soviet Union listen to the Voice of America?"

Mr. Smith: The Western diplomats told us there, and particularly our own people, that the Soviets apparently do a pretty successful job of jamming the Voice of America, though it does get through, but not as well as the BBC [British Broadcasting Corporation]. They seem to be much more interested in concentrating on jamming our broadcasts than they are on the British broadcasts.

Our people didn't seem to have any reliable estimate of how many Russians listen to the Voice of America, nor what effect it is actually having.

Q: Mr. Conniff, somebody wants to know how much attention is being given to religion in Russia.

Mr. Conniff: Well, if Joe didn't answer that entirely, that was one of the real impressive things that we found, the apparent depth—or the apparent failure of their antireligious campaign, and many reasons are given for this.

They have had other pressing problems through the years, for the 40 years, and then they had the war, which, of course, they referred to as the great patriotic war, and in which they employed religion as one of the inducements to fight and defend Mother Russia.

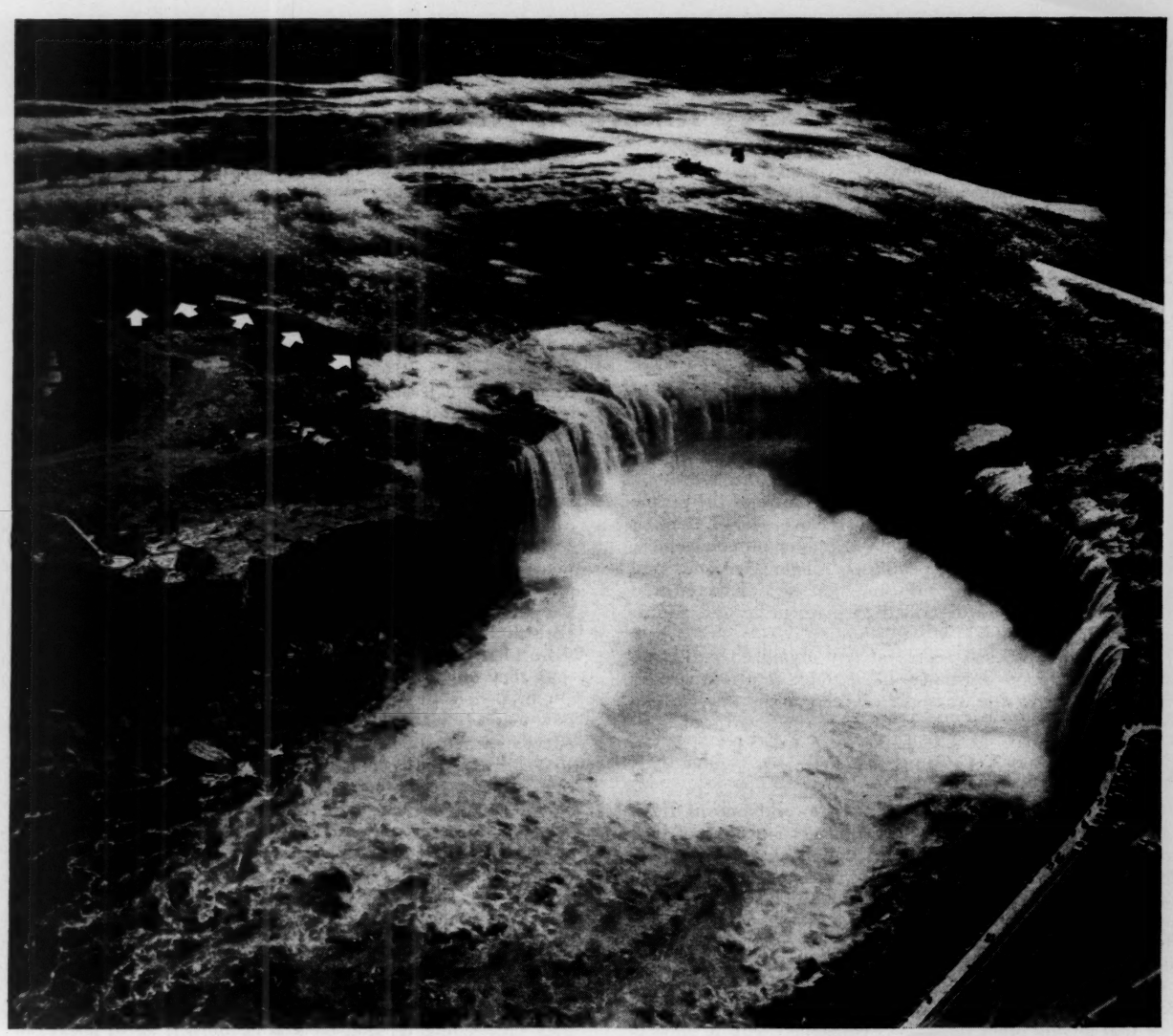
Now, we think also, if we may venture a guess, that they may be keeping religion on a back burner, so to speak, in case they do have to bring it out again as one of their arsenal of weapons in an all-out war effort.

BIG PUZZLE: RELIGION—

But the most interesting facet of this religious question that we discovered or came to our attention was the fact that it baffles the Soviet leaders themselves. They don't even have a scapegoat, and haven't had scapegoats through the years, for the failure of the antireligious campaign.

Now, they always have a scapegoat in agriculture, industry, or various mundane things like that, but reaching into the realm of the spirit, they just have been a little baffled themselves, and we were told that it has been their preoccupation with the other more immediate demands has made them ignore or play down this cornerstone of their Marxist philosophy, and every once in a while they are reminded they should do something about it, they intensify the campaign, and once again it's allowed to languish.

But we had hopes that this feeling of religion might be one of those permanent, continuing things that the Russians, the Communist leaders, as opposed to the Russian people, may never be able to eradicate, and with its message of good will toward man and of a better world made through the proper understanding of everyone, it may be a real factor on our side.



Restoring Niagara's Scenic Grandeur

"A spectacle without parallel on earth," was the way Father Hennepin, first white man to look upon Niagara, described the scenic wonder when his explorations took him to the falls in 1678. For unrecorded ages water has been thundering over the Horseshoe Falls at a rate that engineers estimate at around 3000 tons per second.

Through long centuries this torrential flow has caused gradual erosion that, unchecked, would in time narrow the falls and destroy its scenic grandeur.

Remedial action got under way last fall, not long before the above picture was taken. Plans called for enough rock to be excavated on the American side to lower the bed of the river three to six feet over a large area (at left of picture), in that way restoring an evenly distributed flow of water across the falls. Later a similar project will start on the Canadian side (at right).

The contract work on the Niagara River Remedial Project was directed by the district engineer of the Buffalo District, Corps of Engineers, U. S. Army. The cost was reduced by a bold expedient devised by the contractor, Norman H. McLain, of Buffalo. In drying the 6 acres of river for dynamiting and rock-removal he used a movable shield, held against the current by stout Bethlehem wire cables a quarter mile long, moored to an anchorage upstream. Working behind this shield as it advanced, McLain's men gradually constructed an L-shaped dam of rock and gravel faced with Bethlehem steel sheet piling (see white arrows).

Completion of the project makes the famous Horseshoe Falls a more magnificent spectacle than ever, presenting to the tourist an unbroken, even curtain of descending water.

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Figures are coming in to show a solid base for rising business activity. Factory orders are holding high, and the order backlog is rising. People's incomes are in an uptrend, too. Employment is increasing. Individual spending for both hard and soft goods is running high.

Add these trends together and you come up with the almost certain prospect that business is going to be good from now until summer, at least.

Take a look first at the situation in the nation's manufacturing plants.

New orders in January amounted to 25.1 billions, seasonally adjusted. That was off, fractionally, from December, but well above January a year ago.

Shipments held at the December level of 24.8 billion dollars.

Unfilled orders increased as new orders topped shipments. The backlog of factory orders had been shrinking in recent months. Now manufacturers have a total of 48.3 billion dollars on their books.

Inventories at factories held almost steady during the month at 43.6 billions--down only 100 millions, seasonally adjusted, from December. Trimming of inventories is over. They have been practically level since October.

You also have specific examples to illustrate the business improvement.

Incoming orders for steel are at the highest rate since mid-1953. More gains are expected in the next few weeks. Other industries besides autos are increasing their orders for steel.

Spinners of cotton yarn added 23 per cent to their order backlog during January. Orders are booked ahead in these mills for 10 weeks.

Manufacturers of wool cloth are more active than at any time since the Korean war touched off a frenzy of orders.

Men's-suit sales have been the highest in several years. New cuttings of regular-weight suits are running 17 per cent ahead of a year ago.

Shoe production is up 10 per cent over a year ago. Prospects are for a record output of shoes this year. Leather orders are rising.

Behind these trends is the fact that householders are loosening their purse strings and going further into debt to buy goods. The amount of credit extended for installment purchases of home equipment hit an all-time high in January, after adjusting for seasonal changes.

Installment credit reflects the upturn in consumer buying.

Total installment credit outstanding in January was 22.4 billion dollars. That was 600 million above a year ago, but down 31 million from December. Dip from December was smaller than a year ago. Last year it declined 351 million.

Large automobile sales account for much of the high volume of credit. On-the-cuff buying of cars increased during the month. The decline in credit

(over)

outstanding for other installment purchases was far less than a year ago.

A clearer picture of buying trends is given by the amount of new credit extended for installment purchases. This figure denotes new purchases. The total of outstanding debt includes the offsets of repayments on old loans.

When it comes to new credit extended, on a seasonal basis.....

Total volume in January was 2.8 billions, 517 millions above a year ago.

New auto paper amounted to 1.2 billions, a decline from the unusually high volume of new credit for December, but 326 millions above a year ago.

New credit for other consumer goods rose 109 millions during the month, on a seasonally adjusted basis, to a record of 788 millions. That shows a rather sharp rise in buying of such things as refrigerators, washing machines.

Personal loans, to be repaid in installments, also showed an increase.

It's quite evident that people are in the mood to buy. This buying urge probably is being spurred by the easy credit terms now being offered.

Another reason for rising sales is found in the rising trend in people's incomes. Personal income, as measured by the Commerce Department, is running at an annual rate that is nearly 6 billion dollars higher than a year ago.

Total personal income is put at 290.7 billions a year. That rate, for January, compares with a December rate of 291.4 billions.

Small dip from December to January is explained by the very high year-end dividend payments made in the final month of last year.

Wages and salaries rose from December to January, reflecting the increase in production and general business activity.

Payroll gains are reported for the auto industry, other metal fabricators, and for trade and service establishments. Payrolls in nondurable-goods plants--textiles, food processing, chemicals, etc.--held steady.

Main point is that the trend in wage incomes now is upward. Gains have been steady, month by month, since October. A year ago the trend was downward. Prospect is that the uptrend will continue, making 1955 a record income year for working people. In 1954, they got a bit less than in 1953.

Federal Reserve Board shows some indication of believing that business is quite capable of keeping its present pace without additions of more credit.

Free reserves of banks--the amount of money available as a base for new loans--dropped to 100 million dollars in March. That was the lowest level of reserves since August, 1953.

Volume of free reserves held between 600 and 700 million dollars for most of 1954. They were allowed to drop to about 350 million in January.

The further dip in readily available reserves is a sign that the Federal Reserve Board thinks that, for the moment at least, credit expansion has gone far enough. The banking system is not getting any new credit.

This relatively tight reserve position, if continued, is likely to show up in greater reluctance of banks to make loans to business or home buyers. Actually, to make loans, banks themselves now have to borrow from the "Fed."

*The Brandy of Napoleon**

84
PROOF

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PHILADELPHIA ELECTRIC COMPANY

TROUBLES IN UNION MERGER

Unity Doesn't Mean There Will Be One Happy Family

Don't expect a perfect honeymoon when AFL and CIO get together in one big federation.

Old quarrel about craft vs. industry organization isn't over. Long-feuding union leaders will not change overnight.

Bickering may arise over how money is spent. In some elections, AFL and CIO aren't to see eye to eye. It could be a rocky wedding for some time.

Problems that have kept the AFL and the CIO at odds for 20 years are not to disappear overnight after the two big labor organizations put the finishing touches on their merger.

Jurisdictional quarrels that have set union against union will continue. The issue of whether it is better to organize workers by entire industries or by crafts is far from settled. Old feuds and personal rivalries between leaders will go on. Fifteen million workers and 140 unions are not, all of a sudden, to become members of one big, happy family.

Those are the conclusions of thoughtful labor leaders who are working out the mechanics of getting the two organizations together under a single tent. Difficulties, as they view the prospects, will show themselves in many ways.

There is, first, the problem of which union gets the right to organize in a plant or industry. CIO's basic idea of organizing all workers in an industry into one union, regardless of the type of work they do, conflicts with the AFL craft idea of putting skilled workers into separate unions.

The CIO idea will continue to control in many organizing campaigns, union leaders say. CIO officials expect that the chemical industry, for example, will be the scene of an early organizing drive, and that plant-wide unions will be formed. They hope that AFL craft unions will not try to carve out separate units in the plants.

Just how far the AFL craft unions will go in co-operation of that sort remains to be seen. CIO has been told that it can name the director of the organizing division for the new federation. But some officials wonder if the AFL craft organizations, such as carpenters and plumbers, will want the money they contribute to AFL to be used for organizing plant-wide unions.

CIO's answer is that CIO money will be used to organize the home-building field, now largely nonunion, to help the craft groups.

Some AFL unions that started out as craft organizations have branched out in recent years, taking in production workers as well as men of the particular craft. The AFL Electrical Workers Union is an example. It now bargains for all of the employes in an electrical-appliance plant or power plant, rather than confining its field to the electricians.

One big electrical union? The CIO has its own union of electrical workers, on a plant-wide basis, and there is a "left wing" independent union in the same field. One of the problems of the merger is whether the AFL and CIO electrical unions can unite. Another is whether one or the other may pick up some of the pieces of the "left wing" group.

When two unions consider merging, there are many difficult problems to overcome. Often the two have been attacking each other for years, making accusations that are hard to forget overnight. Tactics of the two may differ greatly as far as bargaining methods or political activities are concerned.

In many an industry, the workers have been told by one union that its wage contracts are far above those of the rival outfit. Leaders of one union have accused the officials of the rival of "selling out" to employers, of undercutting the first union's efforts by offering to take a smaller raise.

Now, when those two unions get around to uniting, the workers may wonder about all the charges and countercharges in the past, may wonder why such bitter enemies can divide up the top union jobs and work as a team.

Much is at stake in this problem. Big unions want to get bigger for many reasons. Some unionists feel that a big labor group has more power at the bargaining table and in politics. Officials are more important if their worker groups are large. If a union can take in 50,000 or 100,000 members in one move, by working out a merger with a smaller one, that is much easier than going out to recruit members one by one.

After AFL and CIO complete their own merger, due late this year, officials will put pressure on individual unions to get together, but have promised that there will be no compulsion about it. Even so, labor leaders see a possibility of mergers in textiles, chemicals, glass-making, aluminum, meat packing, oil refining and shipping.

(Continued on page 98)

—Wide World

GEORGE MEANY AND WALTER REUTHER
When they get down to cases, there will be problems

THE SECRET OF THE FIVE KEYS

by
J. P. Van Winkle
President
Stitzel-Weller
(Old Fitzgerald)
Distillery
Louisville, Kentucky
Established 1849

The door knocker to our family distillery is fashioned of five brass keys.

As symbols of Kentucky hospitality they represent a five-fold welcome to our visitors and friends.

But they mean something more. They also symbolize the Keys to the five secrets behind OLD FITZGERALD'S authentic, old fashioned flavor and bouquet.

In fact, they are the keys which unlock the mystery of "What IS genuine Kentucky Sour Mash Bourbon?"

Come with me to our still house and we will fit these keys to their five separate locks.

Key No. 1—We mash our grains in open tubs without pressure or haste to unlock the full rich flavor of nature's wholesome grains.

Key No. 2—We season our fermenters with a portion of the previous day's run to maintain an unbroken chain of uniformity and flavor.

Key No. 3—We permit our fermenting tubs to ripen at the slow, natural sour mash pace to develop the full flavor of authentic Kentucky bourbon at its old-fashioned best.

Key No. 4—We gently distill, then redistill, at a *flavor proof* which permits the natural bourbon flavors, so carefully nurtured to this point, to be carried over to the finished product.

Key No. 5—We age our whiskey in airy open-rick warehouses where Time and Nature alone mellow it to oak-ripened excellence.

If you are a man who welcomes the taste of facts along with his bourbon, send for my little booklet which further describes these five keys. Address your request to me personally and your complimentary copy will be mailed to you promptly.

Meanwhile, I invite you to join the inner circle of business hosts who have discovered the excellence of our OLD FITZGERALD, and find it good business to share, in moderation, with associates and friends.

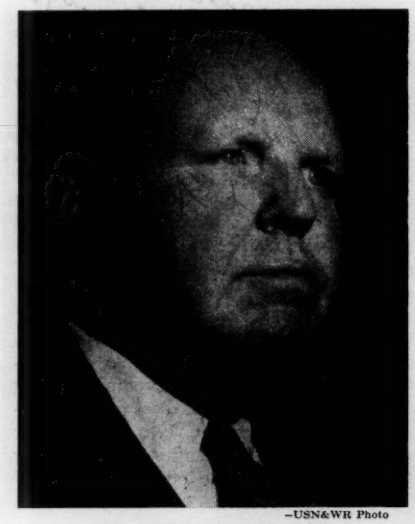
Bonded 100 Proof Original Sour Mash Kentucky Straight Bourbon

. . . Mr. Reuther is planning to keep auto-union post

As two or more unions in an industry get together in one organization, there probably will be new demands in Congress for legislation to prevent monopolies in the labor field. There already are proposals to extend antitrust laws to labor unions.

Personal feuds: not over. As individual unions get larger, through these mergers within industries, officials who run the unions will have more power. Some labor leaders expect this to intensify old feuds among various of the top officials.

For several years, two leaders of the CIO have coexisted in an atmosphere of strained relations. These leaders are



—USN&WR Photo

TEAMSTERS' DAVE BECK
. . . vs. Mr. Meany?

CIO president Walter P. Reuther and Steelworkers' president David J. McDonald. The latter tried to prevent Mr. Reuther from getting the CIO presidency after the death of Philip Murray in 1952.

Mr. McDonald now has made it clear that he wants someone other than Mr. Reuther to head up the "CIO Department" that is to be formed as part of the new labor federation. Mr. McDonald says that he wants a full-time officer in the job. Mr. Reuther will not give up his auto-union presidency to serve on a full-time basis in the CIO position.

The steel-union head also split with Mr. Reuther on the annual-wage issue. Mr. McDonald says flatly that he will not ask for the annual wage this year in steel even if the auto union wins it. Mr. McDonald says his contracts specify that

(Continued on page 99)

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Unfortunately, it happens all too often. Initial costs dictate selection . . . low-first-cost piping is installed . . . piping contract is paid in full. But what happens when corrosion cuts the life of that pipe short? Your paid-in-full price turns into nothing more than a *down payment!* You start paying for it all over again in labor costs, lost production.

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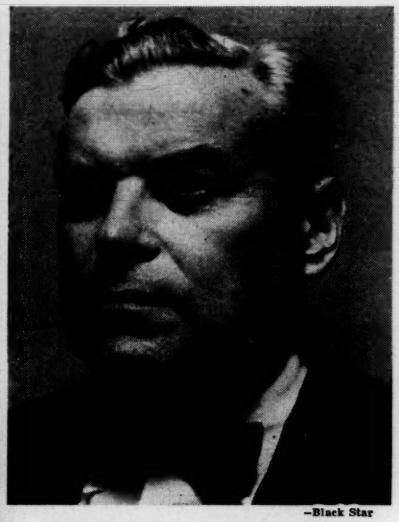
. . . Merger brings out disputes inside AFL

he can ask for a general wage increase this year, and nothing else.

Labor leaders see no sign that Mr. McDonald and Mr. Reuther are ready to bury the hatchet just because they now are joining forces with the AFL.

The AFL, too, has had its share of family fights, and leaders see some good ones ahead. Dave Beck, head of the AFL Teamsters, already is saying that he will refuse to sign a no-raiding agreement so long as the pact would prevent him from taking back 50,000 or so truck drivers now belonging to CIO unions.

Also, Mr. Beck does not agree with George Meany, AFL president, about many problems arising in connection with the merger. Mr. Meany is due to head the new federation when it is created late this year.



—Black Star

STEELWORKERS' McDONALD
. . . vs. Mr. Reuther?

Mr. Beck, for example, says he is not averse to a merger of his Teamsters and the International Longshoremen's Association, in New York. The latter union was ousted from the AFL, at Mr. Meany's insistence, on charges of racketeering. Negotiations have been under way between the Teamsters and the ILA in recent weeks.

Also, Mr. Beck may oppose Mr. Meany's efforts to expel the Meat Cutters Union from the AFL. Mr. Beck indicates that he thinks a union ought to be able to take in another union without the AFL's interfering. The Meat Cutters recently accepted the Fur Workers Union as part of its organization, despite Mr. Meany's protests. The Fur Workers Un-

(Continued on page 100)

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. . . Unions sometimes split on backing local candidates

ion was ousted from CIO on charges of Communist domination.

Political problems? Another source of trouble for the new federation, some officials believe, will be in the political field.

In national campaigns, for the Presidency of the U. S. and for Congress, the CIO and AFL will not run into too much trouble, officials say, because they both are inclined to support Democrats. They can agree, pretty well, on candidates to be supported.

However, officials see possible clashes when "unity" gets to the grass roots. In some areas, AFL leaders have supported Republican candidates for State and city offices while CIO unions backed Democrats. When the two groups are thrown into one city federation, hot disputes could develop.

In some cities, such as Detroit, the CIO unions have more members than the AFL, and, in a combined federation, could be expected to take control. In other cities, AFL members will outnumber the CIO's. Even if a city federation goes on record for one set of candidates, however, a local union can endorse an opposition slate.

Draftproof Jobs Cut in Half

Fewer workers, from now on, are to be eligible for draft deferment because of the nature of their jobs. The Government has just reduced drastically the lists of "essential activities" and "critical occupations" used by draft boards.

The new lists contain 10 essential activities and 32 critical occupations, as against 25 activities and 62 occupations on the original lists, issued in 1950. The changes are the first made since 1952.

An employer can seek deferment of a worker if the latter's job falls in both lists. Draft boards use the lists in deciding whether to delay induction of a worker while a replacement is obtained.

Among the essential activities included on the new list are production, maintenance and repair of military aircraft and parts; ship and boat engineering for military purposes; ordnance.

Other activities include production of certain scientific instruments, electronic and communication equipment for military use, and of military chemicals.

Water and sewage systems, health and welfare agencies, certain educational services, and research and develop-

(Continued on page 101)

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. . . Who's included in "critical" jobs now

ment services also are considered to be essential activities.

The second list, of critical occupations, includes jobs such as aircraft mechanics, tool and diemakers, tool and die designers, patternmakers, machinists, instrument repairmen, jig and template makers, and die setters.

Chemists, clinical psychologists, geologists, geophysicists, mathematicians, physicists, medical physiologists, physicians and surgeons, dentists, osteopaths, professional nurses and veterinarians are some of the other groups that may be considered for deferment if in essential occupations.

A teacher might be deferred if he teaches a subject related to one of the critical occupations. An apprentice also may get deferment if learning a trade on the critical list.

Letter From the Finnish Ambassador

"U. S. News & World Report" has received the following letter from Johan A. Nykopp, Finnish Ambassador to the U. S.:

"In the excerpts of the book, 'The Influence of Force in Foreign Relations' by Captain W. D. Puleston which you published in the February 4 issue of your magazine, the statement is made that 'by October 1, 1944, Red armies occupied Finland . . .' This is a slip on the part of the writer. As you no doubt know, Finland was never occupied. In fact the first article of the Armistice Agreement concluded on September 19, 1944, stipulates that the Finnish forces must *withdraw* to the frontier of 1940. Soviet troops never crossed the frontier either before or after the Armistice. This fact has an important bearing on Finland's position today, and I feel it would be unfortunate if your readers were misled on this point. I should be grateful, therefore, if you could find a way of printing a correction."

Captain Puleston, notified of the Ambassador's comments, has replied as follows:

"The Ambassador's point is well taken and he is correct. I did not make it clear that Soviet armies only occupied the small area taken by them in the winter of 1939-40, and then as the result of an armistice that guaranteed Finnish independence. I regret that my failure to be more explicit could give the impression that all Finland had been occupied, when actually Finnish forces only withdrew to their 1940 frontier, which was never crossed by Soviet troops."

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One advantage not to be found elsewhere is Mississippi's BAWI (balance agriculture with industry) plan under which political subdivisions may vote bonds to finance the purchase of sites and the construction of buildings for lease to new or expanding industries.

We invite your further investigation of Mississippi and its BAWI plan. Your request for information will be handled promptly and treated with confidence.

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We've Been Asked:—

WHY ALL THE ATOM TESTS

- Atomic tests in Nevada are of interest to many people, whether far away or near enough to see the flashes.
- Why are these tests being made? What do they prove?

Atomic tests now going on in Nevada raise the question: What's the purpose of these explosions?

The purpose is to test new ideas and new developments in nuclear weapons. Recent improvements and principles worked out in laboratories are being given a real tryout. Effects of the blasts are being checked and analyzed closely. In addition, there is emphasis on civil defense and possible ways of protection against atomic explosions. In effect, the Nevada testing ground is a field laboratory for scientists working on atomic weapons.

Why are so many atomic explosions necessary?

Because this is the first time since the extensive Nevada field tests in 1953 that this kind of experiment has been held. There are many new things to try out now. Since a number of different devices are being tested, each blast has some different elements.

How long will the tests go on?

That has not been announced, but it is expected that the tests will run into late April. The number of bombs and devices to be exploded also has not been disclosed, but there are likely to be about 11 separate explosions.

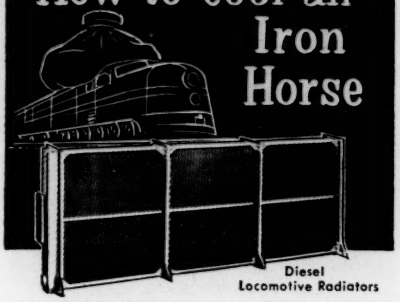
What effects, specifically, are being watched?

In addition to the strictly scientific results, attention is being paid to the effects of the blasts on a wide variety of materials. In the testing area there have been placed residences, commercial and industrial buildings, communications setups, a radio station. There also are foods, household appliances, textiles, automobiles, building materials and various types of air-raid shelters in the area.

One experiment will show the effect of the explosions on auto-trailer homes. For the first time, an armored task force, with tanks and trucks, is included in the military forces taking part in the

(Continued on page 103)

How to cool an Iron Horse



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The trend Southeast continues at accelerated pace. There are still many communities in this area with large reservoirs of available labor and where other conditions are ideal for industry.

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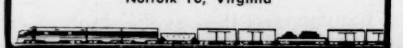

SEABOARD
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THROUGH THE HEART OF THE SOUTH

maneuvers. Military personnel sometimes are less than three miles from the actual blast.

What's being learned from the tests?
It's too early to tell in any detail. But later there will be announcements explaining some of the results. Also, the public will learn something of the physical results following the "open shot."

What's the "open shot"?
That's a special test scheduled tentatively for about the middle of April, though weather conditions may change the time. This will be "open" to more witnesses. The Civil Defense Administration will have a large part in this experiment, with about 600 CD officials and workers on hand to watch or take part. Homes and other buildings with dummies and many types of equipment will be exposed at that time. Civil Defense officials hope this will provide ideas for defense against atomic attacks.

Just what types of explosion are being made?
The explosions usually are not from completed bombs, but from various devices connected with nuclear weapons. Most of the devices being exploded are attached to towers, up to 500 feet in height, though a few are being dropped from planes. These devices release forces ranging from the equivalent of about 1,000 tons of TNT up to somewhat less than 100,000 tons. The early A-bombs equaled about 20,000 tons of TNT.

Are any H-bombs being used?
No, there are no hydrogen bombs being used in these experiments. Neither are there any atomic cannon.

Are the explosions dangerous?
Officials of the Atomic Energy Commission say every effort has been made to minimize the danger from the shots. The explosions are considered relatively small and the fall-out of radioactive particles is expected to be confined to the general test area.

Why weren't the tests held in the Pacific area?
For one thing, the experiments in Nevada cost less and are easier to conduct. The Pacific tests used large task forces of men and ships and often kept scientists and others away from their jobs for long periods. Holding the tests in Nevada takes less time and permits more frequent explosions. But, where more powerful blasts are wanted, such as with H-bombs, the Pacific testing area is considered more desirable, even though its use takes longer to organize.

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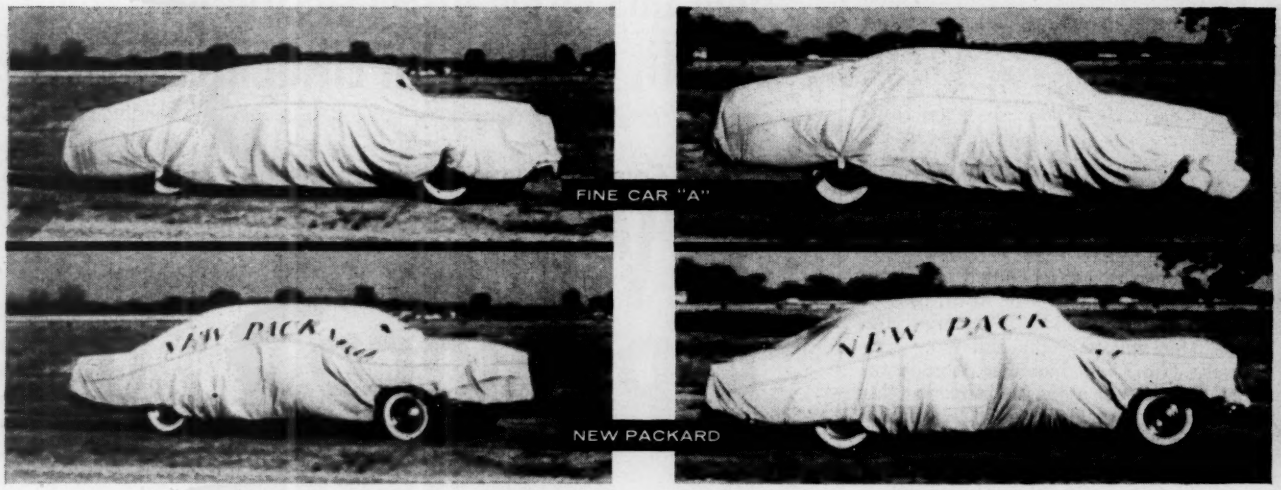

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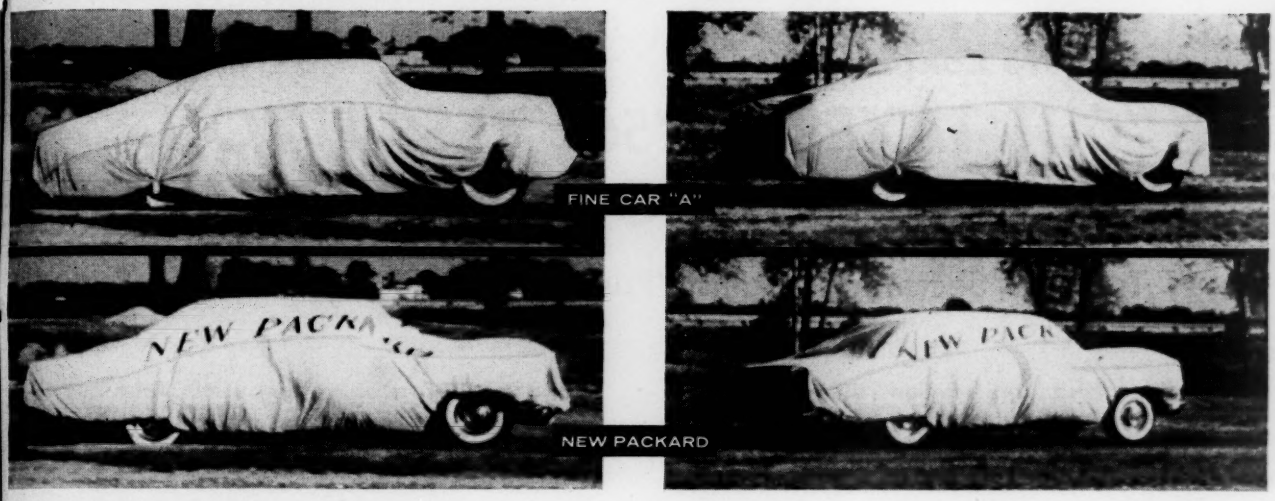


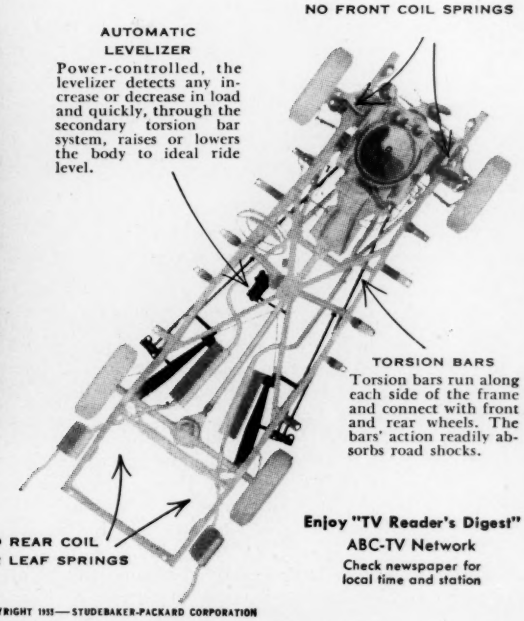
Nothing on earth rides like a Packard

The pictures above, taken from an actual road-test film, show the exclusive Packard Torsion-Level Ride in action. Over the same road . . . the same punishing bumps, dips, and chuck holes, Car "A" rolls and pitches, jounces and bounces, while the *new* Packard remains flight-level. What a difference . . . and proof positive that with Packard's exclusive Torsion-Level Suspension you need never again brace for a bump.

Applying a new principle of passenger car suspension that replaces conventional springs, Packard engineers have made the front and rear wheels work together as a team to snub out road shocks before they can reach you. Over the roughest road you get an unbelievably smooth and level ride in the *new* Packard. Driving is easier, less fatiguing, safer.

Test this fabulous new ride yourself. Drive the *new* Packard wherever you choose . . . feel it "swallow" the bumps and smooth out the ruts and ridges. Then, and only then, will you understand why *nothing on earth rides like a Packard!*

Conventional Coil and Leaf Type Springs are eliminated – Full-length torsion bars link front and rear wheels, making them work as a team. Wheel shocks from rough roads are absorbed before they can reach chassis or body. Result: *a ride that's always smooth and level no matter how rough the road. It beats riding on air.*


NO FRONT COIL SPRINGS
AUTOMATIC LEVELIZER
Power-controlled, the levelizer detects any increase or decrease in load and quickly, through the secondary torsion bar system, raises or lowers the body to ideal ride level.
TORSION BARS
Torsion bars run along each side of the frame and connect with front and rear wheels. The bars' action readily absorbs road shocks.
NO REAR COIL OR LEAF SPRINGS

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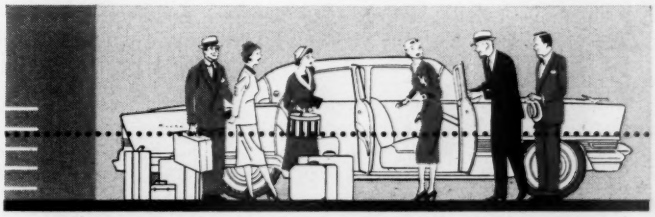
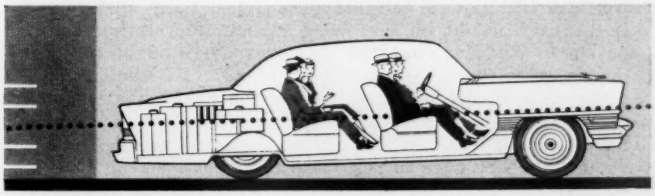
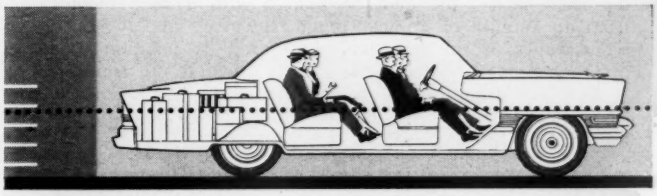
THE NEW PACKARD AUTOMATICALLY LEVELS THE LOAD



Without passengers or luggage, all cars ride on an even keel. Even suspension systems relying on conventional springing are adequate under these circumstances.



When loaded, though, the rear ends of all cars sag under the weight, style lines are distorted, riding comfort reduced. The *new* Packard dips, too, momentarily.



But in just 7 seconds, regardless of the passenger or luggage load, an ingenious, power-activated levelizer brings the *new* Packard back to level for the ideal ride.

Humphrey to Congress:

"CUT TAXES IN '56? YES, IF YOU CAN DO IT WITHOUT BORROWING"

Treasury Secretary Against "Passing Buck to Grandchildren"

The official attitude on cutting taxes next year is given now by the Treasury.

If the Government has more money coming in or less going out, then tax cuts will be proposed.

Relief for individual taxpayers at that time is not ruled out.

But now tax cuts are to be put off, for fear of more inflation. The federal debt is not to be allowed to increase materially.

Official policy on these problems is revealed by Treasury Secretary Humphrey in testifying at tax hearings held by the Senate Finance Committee.

Following are excerpts from the testimony of Secretary of the Treasury George M. Humphrey before the Senate Finance Committee on Feb. 28, 1955:

Senator Martin [Edward Martin (Rep.), of Pennsylvania]: Mr. Secretary, the questions I contemplate asking you are the result of my feeling that you are probably in a better position, both from your official standpoint and your past business experience, to answer the questions. Deficit financing is probably the greatest incentive to inflation that confronts us.

Secretary Humphrey: I think that is the single most important thing. If you were to pick out one thing and say what is most important, that would be it.

Senator Martin: Would you object to telling this Committee why you feel that that is true?

Secretary Humphrey: Well, what happens is just this, Senator: When you run deficit financing, that means you are simply borrowing from future generations to pay for your current bills. What that means, just flatly speaking, is this: We would be borrowing money from future taxpayers to pay the bills that these taxpayers ought to be paying themselves, the current taxpayers . . . The future taxpayers not only will have to pay the money that these taxpayers get to which they are not entitled, but they will have to pay interest on that money besides, when the time comes that they have to pay it. In the meantime, this Government has to borrow that money from somebody.

* * *

Senator Martin: . . . Isn't it true that the little fellow with the fixed salary, the man or woman with a fixed income from an annuity or an investment, the man who works at daily wages, is the man who is injured by inflation to a greater extent than what we call the rich man of our country?

Secretary Humphrey: Very much more. He needs the protection. He is less able to look after himself and protect himself in cases of that kind.

* * *

Senator Millikin [Eugene D. Millikin (Rep.), of Colorado]: . . . Doesn't the rich man get to the catastrophic point where everything breaks up with greater ability to protect himself, in a measure, at least, by the purchase of equities which reflect inflation?

Secretary Humphrey: He can do it better, Senator, than the little man because he can move into equities. He can move into real estate, and move into various things that he can keep trading and shifting. A very astute trader can protect himself much better than a man who is not in a trading position—up to the point where you get the widespread destruction.

Senator Byrd [Harry Flood Byrd (Dem.), of Virginia, chairman of the Committee]: I think, Senator Martin, you have brought out a very important point. If anyone has a doubt as to the inflationary effect of deficit spending on the value of the dollar, I suggest they get the Library of Congress to give us year by year, beginning in 1939, the declining purchase value of the dollar. It would show in those years of heavy deficit spending the dollar went down as much as 10 cents in one year.

* * *

Another year it went down 9 cents, and between the period of 1940 and 1952 the purchasing power of the dollar went from 100 cents to 52 cents, in direct ratio to the deficit spending.

Secretary Humphrey: I don't think, Mr. Senator . . . that people realize what a tremendous debt we have in relation to our assets and in relation to our investing power and the amount of money that is available for investment in this country.

As you gentlemen know, we have been trying to extend this debt, to get away from some of the shorter maturities and to move in that direction, because, as you all know, if this country were a business enterprise, we would be broke.

Senator Martin: Yes, that is true..

Secretary Humphrey: We would be broke. We couldn't meet our maturities if we were a business enterprise. Governments can be somewhat different than individuals for a while, but, after all, this Government is nothing but 160 million individuals, and what is good financing for the individual, sooner or later, except for the avoidance of pressures temporarily, sooner or later exactly the same things prevail with respect to Government finances that apply to your own

home, to your own business, to yourself, because that is all the Government is, the great mass of all of the people.

When this thing gets away, and we continue to let our currency depreciate, we will run into failure to get the jobs, failure to get the expansion, failure to get the work, failure to maintain the opportunities for people to obtain a living in this country, which would be absolutely disastrous, and we must point out that inflation, which has gone already halfway, must not be permitted to go the other half, because the other half will be a lot faster than the first half if it ever gets started again.

° ° °

The money that the people can save in a year and that they have available for investment in a year is in the order of 25 billion dollars, or something of that kind, for all purposes —State and local governments, schools, Federal Government, business and everything combined.

That means that we just have to be extremely careful about the extension and the increase in this federal debt, and the only way you can limit the increase and hold down the increase in the debt is by spending less than we take in.

° ° °

Senator Long [Russell B. Long (Dem.), of Louisiana]: . . . Do you feel that we at the present time have too much purchasing power for that, or do you feel that there is more purchasing power needed as far as just the average consumer is concerned?

Secretary Humphrey: No. I think, Senator, if you will look at the figures you will see last year people had the highest income after taxes that they have ever had in this country, and that last year you had the highest consumer spending that the country has ever seen. And it was higher in January than it was last year, and it looks as though that consumer spending is going right on up, is going to continue right along.

Senator Long: Of course, we have had the problem that the farmer hasn't been able to sell his commodities, we have got large surpluses of those piling up. And we are producing automobiles now at the rate of about 8.5 million a year. Do you believe that we can sustain that rate of production with the amount of purchasing power that is available in the nation today?

Secretary Humphrey: Senator, I have been one of the ones that are skeptical about the fear that we are producing automobiles too fast. Up to date the people in the automobile business point out to us that their sales are keeping up with their production and that it is all moving right along.

Now, whether we are selling the July customer in January, I don't know, but I do know that the statistics all show that the sales are moving properly ahead of production, and have been, and are right up to this week still moving in that direction.

Senator Long: Insofar as consumer spending is concerned, would you agree with my thesis that, generally speaking, if you have a major increase in income for a person in the upper income brackets, he is not likely to go in for a vast amount of additional consumer spending, while the same amount of tax relief in the lower income brackets would result in a substantial increase in consumer spending?

Secretary Humphrey: I think that is probably true. On the other hand, one of the things that we have to have in this country, if we are going to have jobs in America, is investments in tools and plants for people to work with. And we have in this country going on now a perfectly phenomenal thing. We have millions of Americans who don't know it, but they are actually investing a part of their money every week in the purchase of the tools and the power and the machinery and the things that they themselves are going to use to work with.

What I mean is just this: There are many Americans in this country today who are participants in various pension plans, savings arrangements, and in the purchase of insurance policies. And they are authorizing the deductions, or taking out themselves, so much a week from their pay and putting it into insurance policies or into savings plans or pension plans of some kind. Those small amounts per week that the great mass of Americans are taking out and laying aside and putting into these plans is being funneled into these plans, which in turn are becoming the largest investors in this country.

Those investments are going for the benefit of those people, for the little folks, the little folks who save so much a week for their insurance and their pensions; that money is going back into business, to purchase equipment, to purchase new plants, to purchase new tools and to give more power in order for those very people to work better and make more goods.

Now, it is a most interesting thing that that is going on. And that, in connection with the savings of people who have sufficient income to make some savings other than just their current expenditures, is what is going to make, and what has got to make, the increasing number of jobs we have got to have in this country. We can't just go along with the same number of jobs, we have got to have more jobs, and they have got to be made currently, all the time.

—United Press

SECRETARY HUMPHREY (right) with Senate Finance Committee Chairman Harry Byrd (Dem.), of Virginia (center), and Senator John J. Williams (Rep.), of Delaware

Senator Long: Wouldn't you say that, insofar as it is to the national interest to make investments more attractive, that this Administration has gone a long way in that direction, because at the present time the stock market is at an all-time high? Wouldn't it now appear that, insofar as our tax laws are concerned, we should take the emphasis off of trying to make investments more attractive and think in terms of other things, such as, perhaps, extending consumer purchases?

Secretary Humphrey: I think the thing our tax policy should take into account today is our fiscal position. And I think that we should not consider spending any tax money until we know where it is coming from. Now, when we know

where the money is coming from, when we can see it in sight, then I am for further tax reductions, and I think they should be made. But I do not think that there should be further tax reductions until we know what we are going to pay it out of aside from borrowed money.

Senator Long: Do I take it from that that you feel that there is nothing more important than a balanced budget at this time?

Secretary Humphrey: No, but I think we have passed the buck to our children and grandchildren and future generations for what we are enjoying today just as far as we want to go.

Senator Long: About these tax reductions that have occurred, inasmuch as I was the one that argued last year for this type of relief, when we had this 3 billion dollars in individual income taxes we also had another tax that automatically went up. Some of us weren't noticing that at that time. But you take a man with a family and wife and two children making $3,500 a year, the day he received his 10 per cent reduction in income taxes he received $16.50, but on the same day, if he was an average worker, his Social Security tax went up about $17, so he was actually paying about 50 cents more.

Secretary Humphrey: He was paying something for the future. Would you say that because a man took part of his income and bought some stock in the stock market that that should be deducted as something he doesn't get any benefit from?

Senator Long: I wouldn't say that, but I was thinking of the over-all effect. And as far as that part of the public was concerned, the purchasing power was not increased.

Secretary Humphrey: But the purchasing power for the whole nation is the highest it has ever been right now.

Senator Long: And you feel that there should be no type of tax reduction that might expand the purchasing power?

Secretary Humphrey: Not until you know where the money is coming from, no.

Senator Long: Now, by contrast, there are others in the field who have a different opinion. And, without subscribing to it, I believe that is worth noting. I saw by the New York *Times* of yesterday that a committee that terms itself—headed by Leon Keyserling—he was formerly one of the President's economic advisers—contended that if we had tax relief of about twice that amount that that would be a major consideration in increasing the production of this nation by 30 billion dollars. Do you believe that there might be some merit to the type of tax relief that would increase production and expand jobs? He contended that you would have about 2.5 million people more at jobs by the end of the year if you took that direction in tax relief.

Secretary Humphrey: I believe that Mr. Keyserling is just 100 per cent wrong. I am exactly opposite in feeling with Mr. Keyserling. And I think that if we did that we would cheapen our dollar and lose all that we have gained many times over.

Senator Long: Do you think that he is wrong insofar as employment problems are concerned?

Secretary Humphrey: Yes, I do.

Senator Long: You believe that it would not contribute to more jobs and more employment?

Secretary Humphrey: I think it would not. I think it would not because I think it would destroy confidence, and the people would see where we were heading with an unsound currency, and we would be right on the road that these other countries—that is exactly the same kind of talk that broke China, that broke France, that broke Germany before they had their currency reform. That is just that kind of talk that has gotten almost everybody else in the world in trouble.

* * *

Senator Smathers [George A. Smathers (Dem.), of Florida]: Mr. Secretary, I presume we would be correct in assuming that you advised with the President the night before the state-of-the-union message on those matters which had to do with taxes.

Secretary Humphrey: I did.

Senator Smathers: And where he said, "I am hopeful that such reductions can be made next year," you knew, of course, that that was in there, and approved of that?

Secretary Humphrey: I did.

Senator Smathers: If such reductions could have been made next year, what sort of reductions did you have in mind?

Secretary Humphrey: I was asked that many times on the Ways and Means Committee hearings, Senator, and I don't think that there is any way to say how you are going to handle a distribution of funds until, first, you know where they are coming from, and, second, you know how much they are.

Now, until we know that, our savings—until we have savings in sight, or until we have additional income in sight, or from reduced taxation, because it would affect the general price level and stimulate greater production—until we have an estimate, and something sufficiently clear so that we could really feel we could rely on it to know where the money is coming from, or how it was going to be, I don't know any way to say in advance how you would distribute it.

Senator Smathers: . . . Would you agree that if the income picture looked good enough, and tax relief could be granted, that it should be granted first to those in the low-income groups?

Secretary Humphrey: I think it depends entirely on how much you are talking about and how relatively it should be distributed. I just cannot and will not guess ahead what should be done, until we can see what it is we are talking about.

Senator Smathers: I cannot conceive—can you?—of a recommendation of a lower corporation tax, for example, next year, without at least laying some sort of a recommendation for lower income tax payments.

Secretary Humphrey: No, I wouldn't think of it.

Senator Smathers: You could not conceive of recommending that all the excise taxes go off without at the same time making some recommendation that there should be a relief of those in the low-income groups?

Secretary Humphrey: I don't know. The excise presents a real problem that requires quite separate consideration from income taxes. I, myself, believe that there should be a broadening of excises if it could be accomplished.

Senator Smathers: You believe, do you not, in a tax program based on the ability to pay as sort of a general proposition?

Secretary Humphrey: As a general proposition, yes, sir.

Senator Smathers: So, therefore, would it not be correct to presume that if you could recommend some sort of a tax reduction for next year, if the situation warrants it, that those people in the lower income tax groups will receive some benefits?

Secretary Humphrey: They will.

Senator Smathers: And that was recommended and, according to the President, hope was held out for next year?

* * *

When the statement was made, "I am hopeful that such reductions can be made next year," you actually had some in mind, so that nobody could charge that that was an irresponsible statement?

Secretary Humphrey: No, I did not have any in mind, and it isn't irresponsible at all to make it and not have any in mind. I have said and repeated, time and time again, that I think our taxes in this country are too high, that I think our taxes should come down, but they should only come down when you can see that the amount of the cut is justified by a reduction in expenditures and increase in income.

Senator Smathers: As you, of course, well know, the corporation tax which we are considering in this bill is due to expire—that is, the high rate—on March 31st, and each year we continue it on the recommendations of the Administration, or in the wisdom of the Congress. Now, do you find anything wrong with that particular principle of continuing these taxes?

Let's put it this way: Do you find anything wrong with having an automatic effective date of relief until the Congress takes action to set aside the effective date or to continue it for a year?

Secretary Humphrey: Yes, I do. I think that to hold out a hope of tax relief with the thought that maybe you will repeal it, is 100 per cent phony. And I don't think you ever ought to do it. I don't think you ever ought to hold out specific relief unless you honestly believe you can do it, and you know where the money is coming from to pay for it with.

Senator Smathers: Then how can we justify, "I am hopeful that such reductions can be made next year"?

Secretary Humphrey: Because there is no specific place mentioned where it will be, and if you will go right on and read what you said and finish it up, he said that it would only be in the event that it was justified by an increase in income or a reduction in expenditures of an appropriate amount to pay for it.

Senator Smathers: That is according to your statement. I don't have him quoted in there. You have, yourself.

Secretary Humphrey: It is right in his quotation, and every time he has mentioned it, it is in there.

Senator Smathers: Let me ask you this question: Were the estimates of income which were the basis on which the President made his message—are they living up to expectations?

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Secretary Humphrey: We are checking them very carefully. It is pretty difficult to tell. They look pretty good right now. They look as though we would not be too far off. For a while it looked as though maybe we had estimated it too high, that they would be considerably lower than our estimate, but our later checking indicates that they might be pretty close.

Senator Smathers: So if that is the correct situation all the way through the balance of the year, if your estimates do hold up, then we can be hopeful of a tax reduction next year, as we stated?

Secretary Humphrey: No. . . . It is not based on your estimates for 1956, it is the following year. We have got to see where we are going the following year before we can make estimates of a tax reduction. You are a year ahead. You are just too quick.

Senator Smathers: I am a year ahead, but all I am trying to do is just get the language that was used in the budget.

Secretary Humphrey: That is right. Let me read you a little of it.

Here is the state-of-the-union message:

> "Last year we had a large tax cut and, for the first time in 75 years, a basic revision of tax laws. It is now clear that defense and other essential Government costs must remain at a level precluding further tax reductions this year. Although excise and corporation income taxes must, therefore, be continued at their present rates, further tax cuts will be possible when justified by lower expenditures and by revenue increases arising from the nation's economic growth. I am hopeful that such reductions can be made next year.

° ° °

Senator Smathers: Why not have the corporation rate at what it is now, 52 per cent, and not have an effective cutoff date of March first, if that is your belief?

Secretary Humphrey: I would be perfectly willing to let it be extended indefinitely, as far as I am concerned. And last year we asked for it. And that was our recommendation to you gentlemen on both excise taxes and the corporation taxes, that they be extended generally. And you gentlemen put the due date on it, and I thought that, if that was the way you wanted to do it, we will live with you.

Senator Barkley [Alben W. Barkley (Dem.), of Kentucky]: Last year you asked for a 15-billion-dollar increase in the debt limit.

Secretary Humphrey: I did.

Senator Barkley: You got 6 billion dollars.

Secretary Humphrey: That is right.

Senator Barkley: Are you going to ask for one this year?

Secretary Humphrey: I am going to ask for another debt increase this year.

Senator Barkley: Why is that?

Secretary Humphrey: Because we have been spending more money than we have been collecting; it is that simple.

Senator Barkley: You mean you are going to ask to go up to $290 billion?

Secretary Humphrey: I don't know what it will be. I will have to see the figures.

Senator Byrd: The 6 billion dollars was just temporary—it expires on June 30.

Secretary Humphrey: That is right. And we will be back borrowing—

Senator Barkley: You will be back asking to make it permanent?

Secretary Humphrey: I don't know, Senator.

Senator Barkley: For some more on top of it?

Secretary Humphrey: I just don't know.

Senator Barkley: It sounds like irresponsibility to me.

° ° °

Senator Barkley: Mr. Secretary, may I ask one question? Back in the '30s I recall that Secretary of Commerce [Robert Patterson] Lamont, who was a very able man, made a statement before the Committee that the loss of 10 million dollars in production of goods and services in this country was equivalent to the loss of a million jobs among workers. Are you able to verify or to comment on that as to whether that would be accurate?

Secretary Humphrey: I am not, Senator. I just don't know. I never heard that statement before.

Senator Barkley: It has some relationship to what we were discussing a moment ago, about if 2.3 billion dollars is given back to taxpayers and the Government borrows an equal amount to buy things and they both spend all of that, that would be 4.6 billion dollars. How much would that represent in employment, if both the Government and the taxpayer paid that all out for the things that they wanted or needed?

Secretary Humphrey: I can't tell you. I don't know.

Senator Barkley: It would increase employment, wouldn't it?

Secretary Humphrey: Well, you can get into a good deal of discussion about that, because if you carry that to its logical conclusion you are running a deficit-financing economy. and how much of that will dry up substantial investments elsewhere I don't know. My own feeling is that if this country deliberately turned, as advocated by some economists—somebody referred to one in the newspaper the other day—if we deliberately turn to that sort of a procedure, we will deliberately dry up other expenditures to offset it, but I am not an economist. I am just an ordinary businessman.

Senator Barkley: Two or three years ago I was invited to address the New York State Bankers Association at their annual meeting. While we were waiting for me to begin, one of the New York bankers and I were in conversation. He said, "Do you know the latest definition of an economist?"

I said, "I would like to hear it."

He said, "The latest definition of an economist is a financier without any money who wears a Phi Beta Kappa key at one end of his watch chain and no watch at the other end."

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News - Lines

What you as a businessman ☑ CAN and ☒ CANNOT do as a result of federal court and administrative decisions:

☑ **YOU CAN,** as manager of a life insurance company, avoid paying an income tax on royalties received by the company from ***oil and gas leases.*** A court of appeals holds that these payments are not "rents" that must be included in an insurance company's gross income.

* * *

☑ **YOU CAN,** under a recent court decision, operate a discount mail-order house in an area that does not have a ***"fair trade" law*** and sell at cut rates in States that do have such price-maintenance laws. A federal district court upholds this practice by a mail-order retailer in the District of Columbia, which has no "fair trade" law. The case involved mail solicitation and sales in nearby Maryland.

* * *

☑ **YOU CAN** disregard the old rule of the Federal Communications Commission that a single person or firm may not own, operate or control more than five ***radio or television*** broadcasting stations. In finding that this rule is invalid, a court of appeals says, however, that the Commission can take into account ownership concentration when passing on a particular application for a license.

* * *

☑ **YOU CAN** continue to import ***potash*** from East Germany without paying a U. S. duty. The Tariff Commission rules that no duty will be imposed; by a vote of 3-3, it fails to find injury to U. S. producers of muriate of potash as the result of such imports from Germany.

* * *

☑ **YOU CAN** look for marketing quotas to be in effect for the 1955 ***rice*** crop. The Department of Agriculture announces that there will be marketing quotas, since 90.2 per cent of the farmers voting in the referendum favored having quotas.

* * *

☒ **YOU CANNOT** expect the National Labor Relations Board to reopen an old case because of the Board's new rules on ***jurisdiction.*** By refusing a re-

view, the Supreme Court leaves in effect a lower-court decision that the new jurisdictional standards do not require the reopening of old cases.

* * *

☒ **YOU CANNOT** get around paying your ***guards and watchmen*** for overtime worked if you furnish fire and theft protection to the warehouse of an interstate chain store. In settling an old dispute, the Supreme Court affirms the ruling of a federal district court that such employes are covered by the overtime-pay provisions of the Fair Labor Standards Act. The lower court found that the guards and watchmen were "engaged in commerce" and in producing goods for commerce.

* * *

☒ **YOU CANNOT** expect to be allowed a business-expense deduction on your income tax return for the costs of clearing land and planting a citrus ***orchard***. The U. S. Tax Court holds that such expenditures are not deductible as business expenses; instead, they must be capitalized as investment in the orchard.

* * *

☒ **YOU CANNOT,** as a landlord, avoid paying an income tax on your ***rent*** by transferring the income to a member of your family. The Supreme Court leaves in effect a ruling of a court of appeals that a landlord's assignment of rent to his son is not entitled to recognition for federal income tax purposes.

* * *

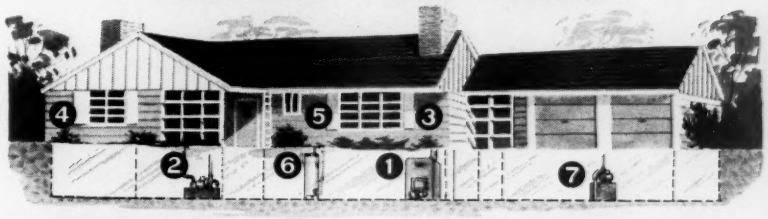
☒ **YOU CANNOT** be sure of getting as much ***copper scrap*** for export in the second quarter of 1955 as in the present quarter. Because of the short supply, the Bureau of Foreign Commerce reduces the export quotas of this scrap for the April-June period. The amounts will be 5,000 tons of unalloyed copper scrap and 7,000 tons of copper content for copper-base alloy scrap.

* * *

☒ **YOU CANNOT** safely discharge an employe right after her husband files an ***unfair-labor-practice charge*** against you—unless you have a good reason for doing so. The Labor Board finds that an employer violated the Taft-Hartley Act by such a discharge. The employer gave several reasons for the firing but later admitted that his decision was affected by the husband's charge.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

How Onan Emergency Electricity Protects Your Home



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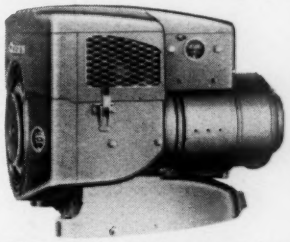

Model 305CK, 3500 watts. Other gasoline models: 1,000 to 100,000 watts. Diesel models: 3,000 to 55,000.

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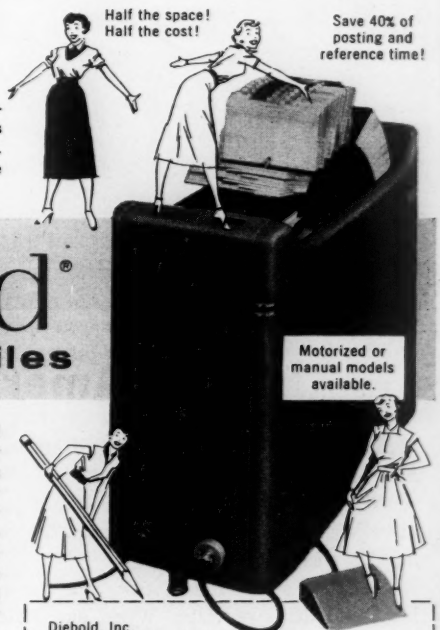

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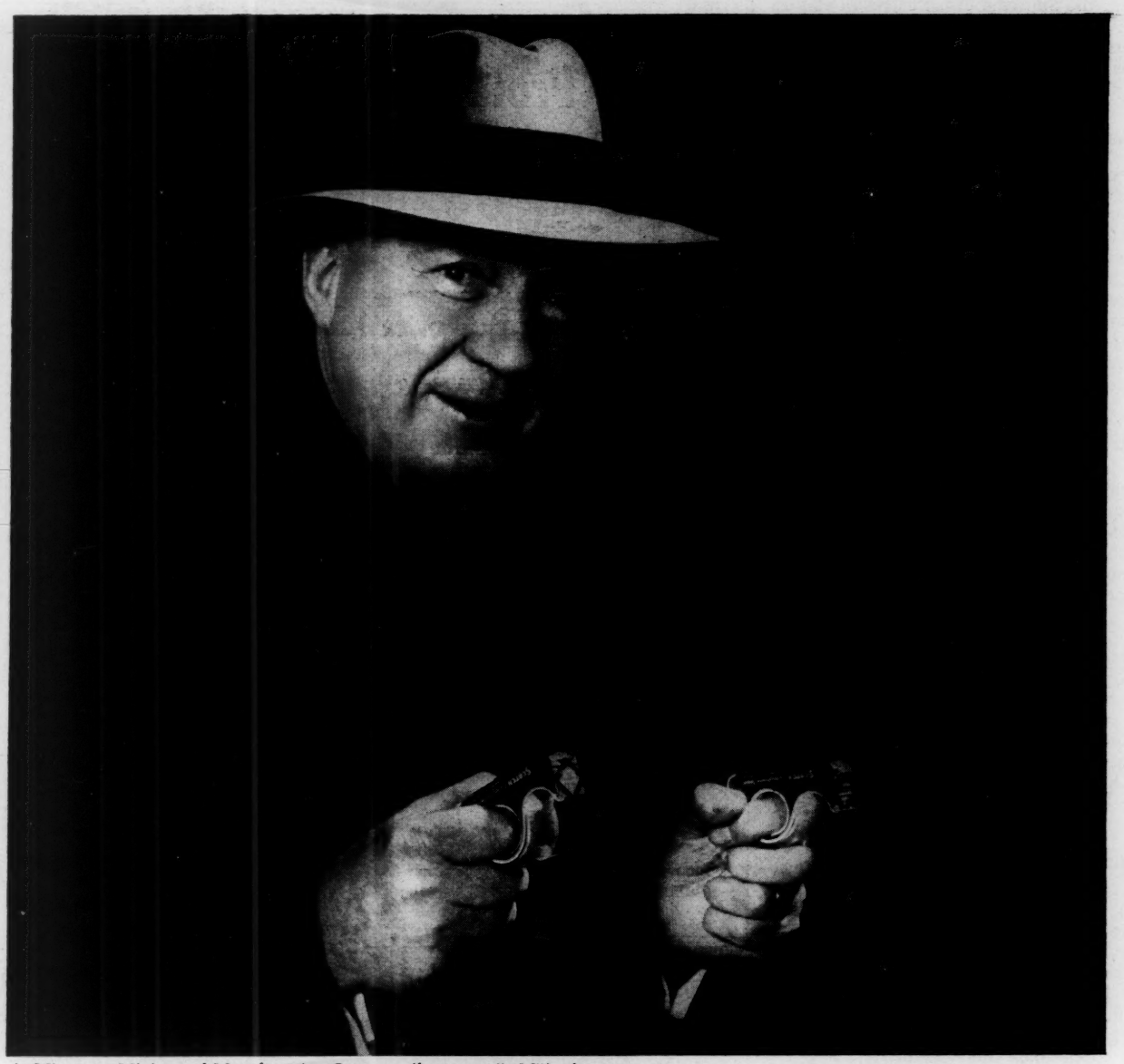

At Minnesota Mining and Manufacturing Company (known as "3 M"), they say,

"He's America's No. 1 stick-up man!"

"Need a 'Scotch' brand tape for grafting trees? Wrapping a new automobile? Splicing a rug?

"We have 'em – and hundreds more," says "3 M" Executive Vice-President L. F. Weyand. "No wonder they call me the 'stick-up man.'

"But there's one kind of sticky tape you won't find around here, and that's *red* tape. When our dealers or customers ask for a shipment in a hurry, we take them at their word.

"We call Air Express – and the shipment is delivered in a matter of hours!

"We know we can depend on Air Express. We prove it hundreds of times a year. What's more, we *save money* by using Air Express. A 25 lb. shipment from St. Paul to Miami, for example, costs $13.65 door to door (one charge). That's 20¢ less than *any* other air carrier – and the service just can't be compared!"

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IN YOUR PERSONAL PLANNING

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What to expect in college costs if that boy or girl of yours will be going away to school next autumn is shown by a new study.

BOOSTED FEES. The cost of getting a college education still is going up. A nation-wide survey just completed by the Central Association of College Business Officers reveals that tuition fees next school year will be anywhere from 8 to 35 per cent above what they are now. Not every college has announced an increase, of course. But more and more of them are giving teaching staffs a pay raise and meeting the added costs by boosting student fees.

Increased charges are commonest among privately endowed universities and colleges. The study, however, indicates a trend among State-supported institutions to make fees as well as tax funds share the load. Officials lean particularly to higher fees for students who come from other States.

COLLEGE COSTS. College catalogues, in many cases, are going out to prospective students now with fliers warning that fees will be raised by amounts yet to be determined. You get an idea of what to look for from these figures:

Tuition--Yale, as an example, will charge undergraduates $1,000 next year instead of $800. Other private schools will have fees ranging between $180 and $1,350. For tax-supported schools, a range from $50 to $260.

Board--Not too much change next year from present charges. Amounts are expected to run from a low of $22 a month to a high of $78 at privately endowed universities and colleges. For State-supported schools, around $22 to $58.

Room--At some schools, slightly higher charges than now. A range from $10 to $56 a month at private institutions, from $10 to $37 at State schools.

SCHOLARSHIPS. Note, too, that scholarships, while available at most schools, may be tougher to come by. Increasingly, colleges and universities are making need a major consideration in awarding them.

DRAFT DEFERMENTS. Students now in college who intend to take the qualification test for draft-deferment eligibility ought to set about getting their applications in now. The applications have to be mailed to Science Research Associates, Chicago. Forms and envelopes may be obtained at any local draft board. The test will be held April 21, in 900 testing centers around the country. To be eligible for draft deferment as a student, a boy must make a score of 70 on the qualification test, or else rank in the upper part of his

(over)

class--upper half if a freshman, upper two thirds if a sophomore, and upper three fourths if a junior. Graduate students have higher standards to meet.

SAVINGS BONDS. This to correct a misstatement that's gotten around on a person's income tax liability for interest built up by U.S. savings bonds:

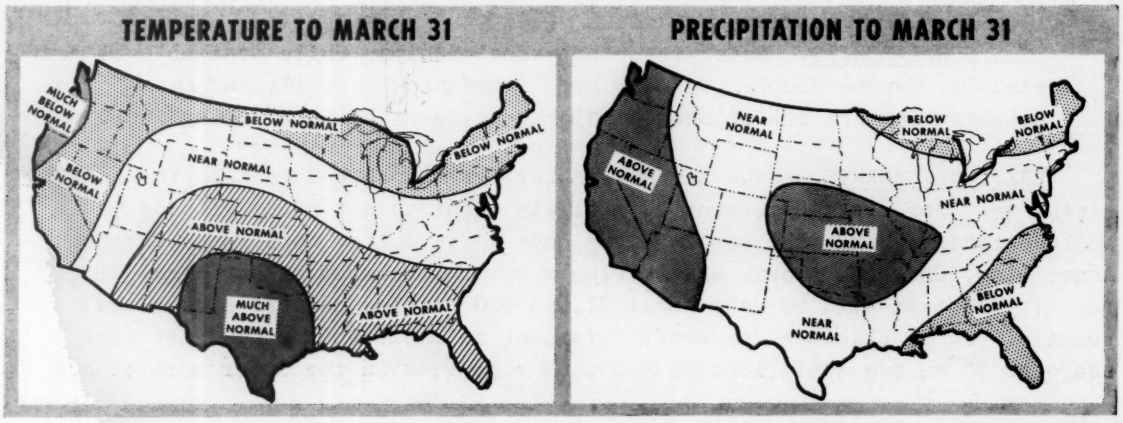
When the bonds are registered in joint ownership, the rule is that the individual putting up the money to buy the bonds must report the interest, even though he allows the other owner to cash the bond and keep the proceeds. If both contributed funds toward the purchase, they report the interest in the same proportions as the amounts they put up.

BEDTIME STORIES. These suggestions on story books for preschool students come from a guide prepared by the parent education and child-development department of the Rochester, N.Y., public schools: Pick a book in terms of the child's interests, not yours. In reading, substitute your child's name in place of the storybook character, if appropriate. Talk about the story with him later. Answer specific questions he asks about words or letters--but leave it to a trained teacher to teach him to read.

LIQUID FERTILIZERS. If you're planning to use liquid fertilizer on your lawn, about now is the time to do it. Department of Agriculture turf scientists say best results come from three applications--one in early spring, another about mid-June, and then again in September. For a lush lawn, they add, put on the equivalent of 3 to 4½ pounds of nitrogen per 1,000 square feet as a total in the three applications. The mid-June feeding should be only half the strength of the spring and autumn ones. USDA experts report that liquid fertilizers give about the same results as dry ones, but are more costly--whether you do your own spraying or have it done by a reputable firm.

BOGUS BILLS. Need to keep up with information on counterfeit money appearing in your locality? You can ask the nearest Secret Service office to put you on its mailing list for descriptions of bogus currency to be on the watch for. If you haven't that office's address, ask for it at your bank or police department.

WEATHER. March is to blow colder than usual in the North, more zephyr-like in the South, says the Weather Bureau outlook on which these maps are based:

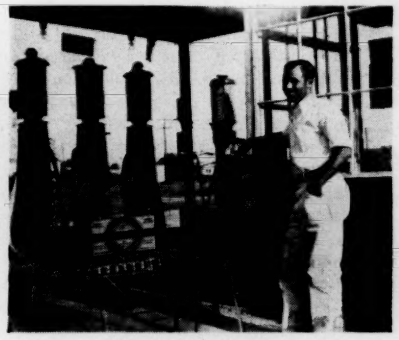


Henry McNeil

OR HOW TO BE INDEPENDENT AT 46 ON A $350 INVESTMENT

"WHENEVER I hear anyone claiming that big business is bad for small business, I think of my own case.

"Back in 1932 I leased this Union Oil service station in Venice, California, with $350 my wife and I had saved



the hard way. Now at 46 I'm financially independent. But I'd never have made it so soon without the Union Oil Company.

"They taught me how to buy. How to sell. How to service. Even how to hire and train help, and keep my books.

"They'd spend thousands of dollars perfecting new service ideas, then pass 'em on to me for nothing.

"Best of all, people practically took Union's gasoline and motor oil away from me. They were always the finest in the West.

"Well, business was so good I had the station paid for by 1939. Then I

YOU ALWAYS GET THE FRIENDLY SMILE AND FAMOUS SERVICE AT McNEIL'S

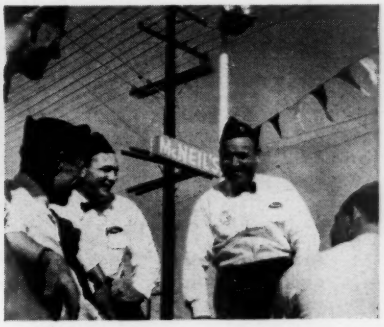
started buying real estate around it. Today my net worth's in the six figures. The children are through college and

on their own. Marjorie and I are going to travel while we're still young enough to enjoy it. But believe me—*I'd never have done half so well if I hadn't been in business with big business!*"

Henry McNeil, it seems to us, is the kind of man who would have succeeded with or without our help. But his point is well taken. Big business *does* help small business.

Union Oil is a typical example. We're the 45th largest manufacturing company in the country, with over $350,000,000 volume in 1954.

But of this $350,000,000, the lion's share—or 75%—is spent with the more



than 15,000 small businesses and individuals like Henry McNeil with whom we do business.

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EXPERTS SIZE UP STOCK MARKET

Big Majority Not Worried By Rise

A "friendly" inquiry by Congress into the stock market meets a friendly response from the country's financial "experts."

Result: An outpouring of fact and opinion.

In what follows, you see the picture as the experts see it.

Are stock prices too high, precariously high? Is this another 1929? If stock prices go on rising for another year, will that threaten prosperity? Is there too much borrowing of money to buy stocks?

The "experts" say, "No"—but they attach important reservations.

Investors—and millions who suddenly have a yen to buy stocks—have been asking each other these questions. Now, the Senate Banking and Currency Committee has queried the experts. As part of a review of the stock market, Senator J. W. Fulbright (Dem.), of Arkansas, Committee chairman, has sent a questionnaire to more than 5,000 brokers, dealers, economists, analysts, others.

To help you get expert opinion about what's happening in the stock market, *U. S. News & World Report* has analyzed about half of the answers to the questionnaire. You'll have to evaluate the findings yourself. And keep these points in mind: Not all the country's experts were polled. Not all of those polled answered. And the majority of those answering could be wrong.

Even so, the answers are regarded as important because they represent the opinions of people whose daily lives are devoted to dealing with stocks.

Another 1929? There's little disposition among the experts to regard this as a repetition of 1929, when a wild market rise was followed by depression.

The vote on the question of "significant similarities" with 1929 is closest among the economists, as you can see in the tally chart on this page. Many of the economists answer "Yes, but . . ." to the question—explaining that, while there are some significant similarities, the "dissimilarities" are more numerous and more significant. In the chart, economists who answered in this way are listed in the "no" column.

A dealer in unlisted stocks sums it up: "In 1928, I sold my stocks, quit my job,

(Continued on page 118)

IS TODAY'S STOCK MARKET DANGEROUS?

Hundreds of Experts, Polled by Congress, Voted in These Ratios

Do you think there are significant similarities between the market situation now and that which prevailed in 1928-29?

Brokers	NO:	10 to 1
Dealers	NO:	20 to 1
Economists	NO:	3 to 1
Investment bankers	NO:	10 to 1
Investment advisers	NO:	5 to 1
CONSENSUS	NO:	9 to 1

Are there any dangers to the economy inherent in the present market activity?

Brokers	NO:	50 to 1
Dealers	NO:	10 to 1
Economists	NO:	2 to 1
Investment bankers	NO:	Unanimous
Investment advisers	NO:	10 to 1
CONSENSUS	NO:	12 to 1

If the rate of increase in stock-market prices between Sept. 1, 1953, and Jan. 1, 1955, should continue for another year, would there be any danger to the national economy?

Brokers*	NO:	20 to 1
Dealers	YES:	3 to 2
Economists	YES:	3 to 1
Investment bankers	NO:	3 to 2
Investment advisers*	NO:	11 to 10
CONSENSUS*	NO:	3 to 2

Are there any dangers to the economy inherent in the present market levels?

Brokers	NO:	40 to 1
Dealers	NO:	20 to 1
Economists	NO:	6 to 5
Investment bankers	NO:	Unanimous
Investment advisers	NO:	10 to 1
CONSENSUS	NO:	11 to 1

Are there any dangers to the economy inherent in the amount of credit on securities?

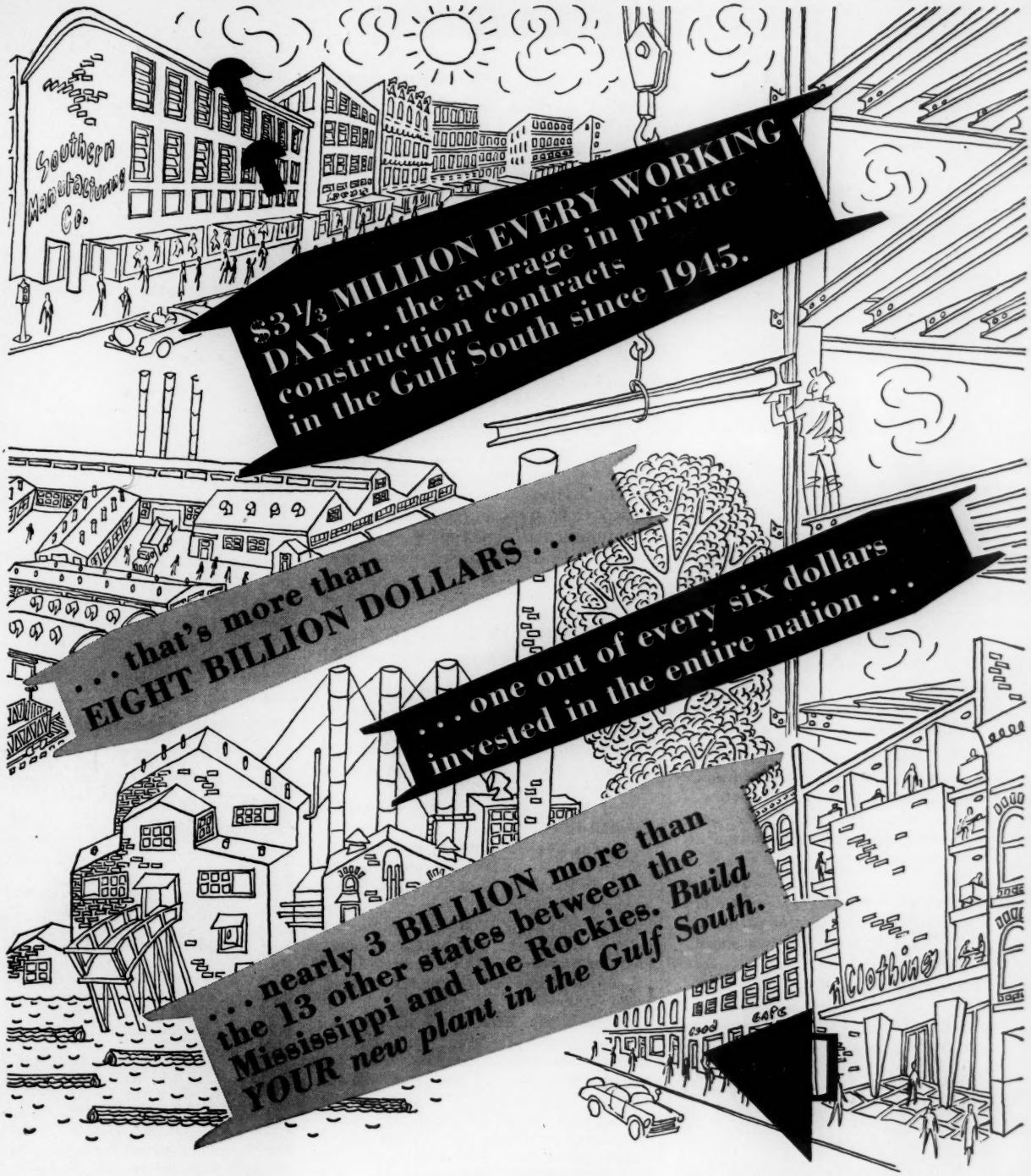
Brokers	NO:	100 to 1
Dealers	NO:	5 to 1
Economists	NO:	2 to 1
Investment bankers	NO:	Unanimous
Investment advisers	NO:	10 to 1
CONSENSUS	NO:	11 to 1

If the rate of increase in stock-market prices between Nov. 1, 1954, and Jan. 1, 1955, should continue for another year, would there be any danger to the national economy?

Brokers*	NO:	7 to 1
Dealers	YES:	4 to 3
Economists	YES:	3 to 1
Investment bankers	NO:	7 to 5
Investment advisers*	YES:	6 to 5
CONSENSUS*	NO:	6 to 5

*Many brokers and investment advisers assumed that earnings and dividends also would continue to rise. If a continued sharp market rise were assumed without a rise in earnings and dividends, the vote would indicate danger to the economy.

Source: Analysis of more than half of the answers to questionnaire submitted by Senate Banking and Currency Committee.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$3⅓ MILLION EVERY WORKING DAY . . . the average in private construction contracts in the Gulf South since 1945.
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. . . one out of every six dollars invested in the entire nation . . .
. . . nearly 3 BILLION more than the 13 other states between the Mississippi and the Rockies. Build YOUR new plant in the Gulf South.
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Source: Engineering News Record (McGraw-Hill) computed by United Gas Industrial Development Director, P. O. Box 1407, Shreveport, Louisiana.

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Not when dividends alone can never make any stock a sound investment . . .

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. . . '55 like '29 in some ways, unlike in more

and went to Europe on a long vacation. I certainly do not feel so disposed at the present time."

"The 1928-29 era," says another dealer, "was a period of rank speculation on thin margin. Stocks today are in much stronger hands." More of today's buyers, he believes, are paying cash and investing for longer-run income.

Others polled emphasize the fact that, while indexes of stock prices resemble those of 1929, earnings and dividends behind today's prices are far higher.

Many note that Government now has broader powers to temper booms and busts.

Some, while emphasizing the differences, note similarities. A broker puts it this way: "The only similarities are the growing willingness to follow tipsters like a certain radio commentator, and the mushrooming interest in low-priced speculations like the uranium stocks."

A dealer sees only one similarity: "The continued rise has lured the little fellow back into the market—the fellow with a few hundred dollars who should leave it in the bank."

An economist, on the other hand, is not sure. "My own feeling," he says, "is that we are about the same place we were in 1927, having just weathered a minor recession, which the stock market discounted in advance."

But, he says, "there are also important dissimilarities."

Shares overvalued? At the moment, very few of the experts—about 1 in 11—see "any dangers to the economy inherent in the present market levels." Again, the margin among economists answering is only about 6 to 5. For other groups, margins range up to 40 to 1 among brokers and a unanimous vote among investment bankers.

In the main, experts are unafraid of present stock prices for one reason—they are convinced that only now, after the long market rise, are prices reflecting the "real value" of shares. While stock prices lagged for years, they point out, industry plowed tens of billions of dollars into new plants and equipment. Result was an expanded industrial capacity that offered a broad base for earnings and dividends. That base, they believe, justified a rise in stock prices.

A broker, for one, says, "We do not believe present market levels constitute a threat to our economy and, to the contrary, represent a realistic evaluation of our economic machine."

An economist demurs. "Stock-market prices," he says, "are too high at present,

(Continued on page 119)

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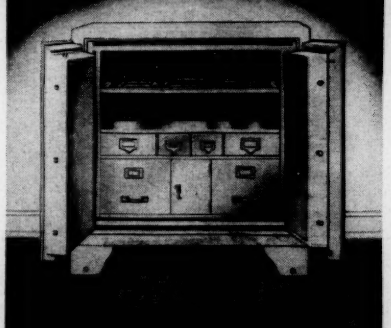

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. . . Stock trading for quick profits said to be rising

due to speculation. Prices are not as high as they may go, but the growing unsettlement and speculative flurries . . . are portents of a sharp decline in the not too-distant future . . ."

Even this economist is unafraid of the over-all effect of the market break that he anticipates. Repercussions, he thinks, will be unsettling, no more.

Too much speculation? Even fewer of the polled experts—1 in 12—think there is too much activity in the market. The number of shares traded daily, while high by standards of the 20 years preceding this bull market, is regarded as modest in view of the higher volume of shares outstanding today.

One reservation is noted. "Speculation" for quick profit—as against "investment" for long-term income—is reported to be rising.

A broker who saw no danger in the over-all level of activity says: "However, we do believe that public participation in the market by persons of relatively modest means is increasing and that there is some evidence that part of the funds so invested have been placed in speculative securities of a type not generally suitable for the average small investor."

Too much credit? Despite all the talk about a sharp rise in buying shares on margin—that is, on credit—the experts by a big majority rule out any dangers in the present volume of credit.

A broker's answer is typical: "Credit on securities compared with the past, taking into consideration both the volume and value of securities, is insignificant." It's also "very small," he thinks, "compared to mortgages or installment credit."

Economists, 2-to-1, agree that the volume of credit on securities is overrated as a threat. One, though, remarks darkly, "The fact that it has increased somewhat suggests that a number of lambs are being readied for shearing."

Other experts stress evidence that very little of the buying on margin is being done by small investors. And most point to the fact that buyers today are required to put up 60 per cent of their purchase price in cash, while, in 1929, margins often were around 10 per cent.

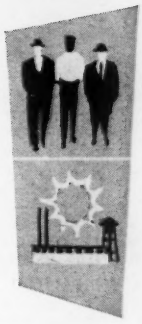
A fairly large number of the experts note that bank loans for the purpose of buying or carrying securities are not subject to margin requirements. Some want corrective measures.

And if prices go on up? It's at this point, when the experts contemplate continued sharp rises in prices, that they begin to have serious doubts. Yet they

(Continued on page 120)

Industry sees plenty...

on the Louisiana scene



More and more industries are spreading South—to Louisiana, and here's why: raw materials in abundance, a world of markets, varied and inexpensive transportation, a willing labor supply, and a year-round "production" climate. Take advantage of Louisiana's bonus attractions for industry. Write today for details for YOUR business.

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By a Subscriber

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. . . Ratio of prices to earnings held not excessive

feel, in most cases, that price rises accompanied by increases in corporate earnings and dividends would offer no threat.

You can see something of their thinking in the tally chart.

A majority of 3 to 2 believes that a continuation of the rate of price rise that prevailed from late 1953 until recently would offer no danger to the economy. But note, again, that many qualified this answer with the assumption that earnings and dividends would go on up, too. Over all, the experts were closely divided on the danger involved if prices continue their much sharper rise of last November and December. And their answers make it clear that the majority would be seriously concerned if stock prices went on up at the November-December rate without important increases in earnings and dividends.

Some felt strongly that danger would accompany further sharp rises. A broker says that, if the market went on up sharply, "it would be overexpanded, overpriced, and very vulnerable."

But a dealer says: "No, not if the ratio of stock prices to stock earnings continues as it has—15 to 20 times. When stocks sell as they did in 1929—25 to 30 times earnings—that would be bad."

Actually, most of those polled prefaced their answers with the suggestion that anybody who thinks the market rise is going to continue for a year at the recent rate is a bit daft.

Why a bull market? In the thousands of words written to Congress in explanation of the recent market rise, you get the opinions of the experts as to what has been happening and—indirectly—some clues as to what may happen. Though the experts use different words and vary the stress they lay on particular factors, there is a theme of broad agreement running through their answers.

A summary of the majority view would run like this:

A market rise was long overdue in the autumn of 1952. During years of postwar prosperity, stock prices had failed to respond much to the vast increases that had occurred in industrial capacity, in employment and production, in corporation profits. "Good stocks" were selling at only four times earnings.

Reasons given are many. The New Deal and "Fair Deal" had used businessmen—especially in finance—as "whipping boys." Taxes, with emphasis on the excess-profits tax, were high. War in Korea made investors cautious, too.

(Continued on page 121)

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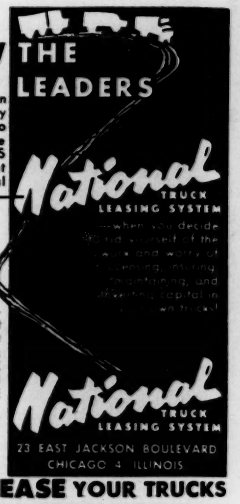

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. . . Buying by small investors stepped up market pace

Eisenhower's victory in November, 1952, meant a new era of official sympathy with business. It was taken as a signal for new confidence. But the Administration came in with a tight-money policy deliberately designed to restrain investment in order to temper a boom.

Spring and summer of 1953, the experts say, changed everything. The tight-money policy went out the Treasury window. War ended in Korea. The Administration and Congress made it clear that the excess-profits tax would die at year's end. And it became increasingly clear that the recession would be mild.

With all those barriers out of the way, confidence in the Eisenhower Administration and its policies created mounting optimism over business prospects.

An upswing in stock prices, starting about September, 1953, was speeded up by other developments. A vast flow of individual savings, pouring into pension funds, profit-sharing plans, trusts of many kinds, insurance companies, was channeled into common stocks by these institutions. One reason for that development, say the experts, was a recognition that long-term inflation pointed to investments that would rise in value and income with any new inflation.

As the market rise continued, and picked up momentum, many investors became reluctant to sell and pay the 25 per cent capital-gains tax on their profits. Their attitude, and the firmness with which institutions held on to their shares, tended to create an "artificial scarcity" of stock for sale.

Then, in November, 1954, Republicans made a better showing in the elections than many predicted. About the same time, it became apparent that the recession was over. Year-end dividends were bigger than anticipated. Investors—many of whom had been holding back before the election—let themselves go.

Small investors caught the fever and entered the market—often for questionable purchases. With their entrance, price rises spread from the "blue chip" issues favored by institutions to stocks of lower grades. And the pace of the market stepped up sharply.

That, briefly, is the picture of the market rise and its causes as seen through the eyes of the people who deal with stocks every day—or, at least, the ones who answered the poll.

Few of the experts mention all the factors. And they emphasize different things. Yet the main factors are repeated over and over again in their replies. And the picture they draw—right or wrong—is perfectly clear.

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March 1, 1955.

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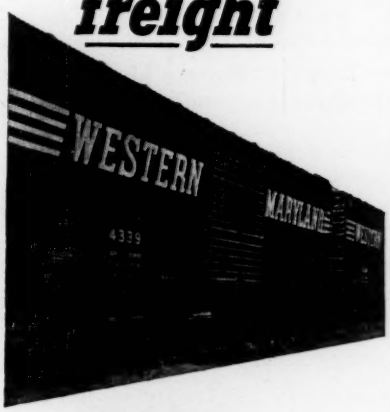

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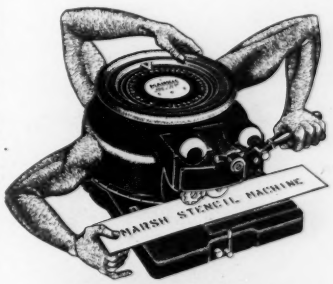

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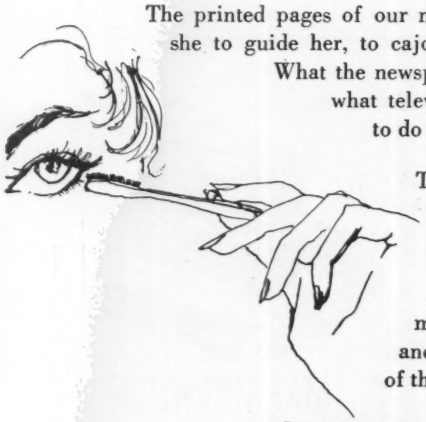
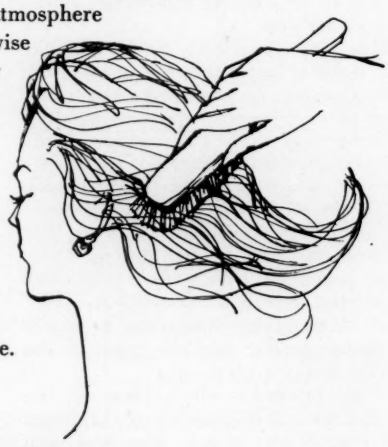
For a mere man to wander through the thousands and thousands of beauty pages of the magazines, would be madness of high order. Pictures, pictures . . . woman dishabille; in her bath or at her looking glass, surrounded by an alchemist's assortment of flasks and flacons . . . woman dismembered; her eyes, her ears, her nose, her lips, her bosom, her hips, her legs, her toes . . .

And the million-mile thread of female jargon: "Shine up your eyes . . . begem your fingertips . . . write your signature with your perfume . . . trim yourself for Christmas . . . foster the shine of your halo . . . dream of going native . . . turn the clock back five years . . . trim and firm hips . . . tummy in and up . . . how about a new face?"

The printed pages of our magazines have made the American woman beautiful. Whom else has she to guide her, to cajole her, to command her to make that extra special best of herself? What the newspaper can only touch upon . . . what radio can say but not show . . . what television will never have enough time for . . . the magazine was born to do magnificently. And does. It is her mirror.



The magazine, like beauty, herself, is timeless. It is America's favorite beauty shop-in-print . . . no waiting, no appointments needed, and with fees any woman can smilingly afford. You may sell cosmetics and toiletries in any other atmosphere . . . but why in the world would any wise man want to . . . when he has the power and flexibility, the long life and economy of the magazine at hand?



Last year magazine publishers surpassed all advertising revenue records . . . just as right on through the introduction and growth of any new medium, the magazine has gone right on growing . . . faster. We know a little bit about these things because our business at Fawcett-Dearing is to print magazines. We find it very satisfactory work. We are always delighted to be invited to do more.

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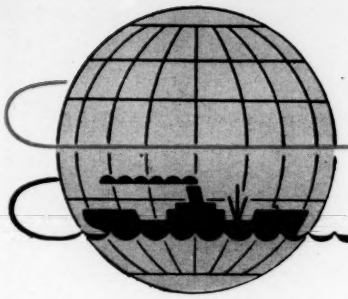


Business Around the World

LONDON • ZURICH • BONN

›› British moves to bolster the pound sterling were paying off last week.

Sterling, weak for six months, has firmed up considerably since Feb. 24.

That day British interest rates were raised drastically. This attracts foreign funds to London, besides putting the brakes on British inflation.

That day, also, the British authorities announced they were ready to buy cut-rate sterling in Zurich, New York or other markets dealing in cheap sterling.

Aim is to narrow the discount at which this gray-market sterling sells, compared with the official rate. Threatened buying and actual buying by British agents--in Zurich, for example--appreciably narrowed this discount last week.

›› Where does this cut-rate sterling come from?

Some holders of sterling--especially in Europe--will sell it at a discount to get dollars or Swiss francs. This cheap sterling in turn can be used profitably in tricky deals by commodity traders. Through these deals, traders pocket dollars that normally would flow into the Bank of England.

Deals like this are estimated to have been depriving the Bank of England of 300 to 400 million dollars a month since January 1.

If the Bank of England can keep gray-market sterling close to the official rate, the hope is that the British can recover some or all of this trade.

›› There is a distinct element of risk in what Britain is trying to do.

The Bank of England is gambling that it won't have to pay out many dollars to buy cheap sterling. The British expect to have to step in and buy only occasionally. But this operation really makes cut-rate sterling convertible into dollars. There are very large amounts of this sterling around. The Bank of England may find it necessary to buy a great deal, some experts feel.

Support of sterling apparently is costing plenty. London's gold and dollar reserves dropped 82 million dollars in February. This was the largest decline for any month in three years, if debt repayments are left out of consideration. And the Bank of England was authorized to broaden its support operations to world-wide proportions only at the very end of February.

The reserve figure for the end of March will be watched very closely.

Gold and dollar reserves on February 28 stood at about 2.7 billion dollars.

Also, the British own American securities, insurance interests, real estate in the U.S. worth more than 3 billion dollars, it is believed.

So Britain is well fixed for dollars and could stand quite a drain, if necessary. The important and unpredictable factor is whether foreign holders of sterling think Britain will be able to control her internal inflation and build up her export earnings. Strong sterling rates will show confidence.

(over)

>> Europe's governments are reacting differently in the face of inflation.

Britain, Norway and Denmark have taken the classical approach of lifting interest rates. They have also, in various ways, attempted to cut down consumer buying through control measures.

Sweden has levied special taxes on certain luxury imports and on capital investments. Swedish government is trying to keep the lid on wage raises.

But the German approach is quite different. Consumer buying is at high levels, and prices are moving up. To feed more goods into the German economy and thus head off inflation, more imports are to be allowed in.

Feeling in Germany is that lower prices must be induced. Germans, ever since 1923, have had almost a psychotic fear of inflation.

The Bonn Government apparently is going to rely on a free economy and larger imports rather than on the curbs and controls other governments are using.

Imports into Germany are already running almost a third higher than a year ago. More imports from the dollar area are to be permitted.

More food will be brought into Germany than during last year. Most will come from Latin-American and European sources rather than from the U.S.

>> In Western Europe, automobile production last year jumped 25 per cent, reaching a record figure of 2.5 million. Plant expansion getting under way will push auto capacity up to around 3.5 million cars in a very few years.

Exports of European cars also reached a new high last year. This despite the fact that producers found home markets demanding more and more cars.

Britain led the world in exports of passenger cars in 1954. Western Germany took second place away from the U.S., which dropped to third. The British and Germans export about a third of the cars they make; the French export about a fourth of their cars. American manufacturers do not seem to push their own export sales very hard. However, they have a number of subsidiaries operating abroad, especially in Britain and Germany.

American-type cars--much heavier and costlier than European models--are undoubtedly losing ground in most export markets around the world.

>> This is true even where there is no dollar problem and people are well supplied with cash. Take Switzerland, for example:

Before the war, the Swiss bought mostly American cars.

Last year, German makes accounted for almost two thirds of all new-car sales in Switzerland. American makes got 14 per cent of the market.

One out of every 10 Swiss now has a motor vehicle.

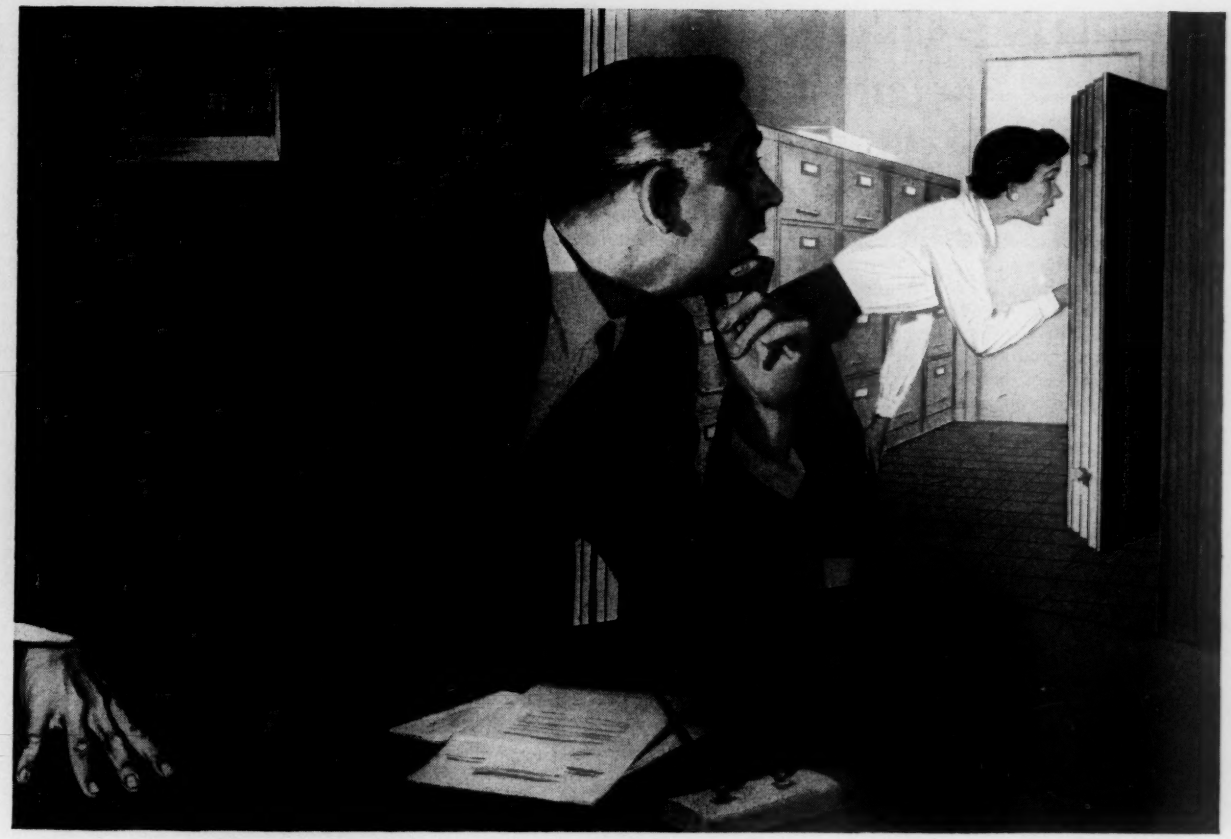
The average income of a Swiss worker is $2,500 a year, and he usually has considerable savings tucked away. Installment buying of cars is on the increase in Switzerland. The Germans have seen the Swiss market opportunities.

>> Among German cars, the Volkswagen is the greatest world-wide success.

A Model T among modern cars, the Volkswagen hasn't been changed in appearance in 10 years. By Detroit standards, this policy should be the kiss of death. However, more Volkswagens are sold in the U.S. than any other foreign car.

Another odd fact is that Volkswagens are seldom advertised in the U.S., Germany or any other market.

Yet Volkswagen expects to make nearly as many export sales of passenger cars this year as the entire U.S. automobile industry did during 1954.



How much initiative should your secretary take?

IF YOUR gal Friday has been with you for any length of time, she probably does *plenty* right now to help you see over that mountain of work on your desk.

But, being human, you wouldn't object if she took a little *more* off your shoulders. Especially, if what she decided to do might help you avoid a risk that could put you out of business.

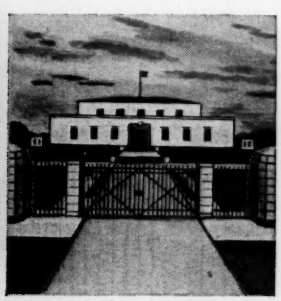
What could that be? Something very simple, really. Just a check to see if your accounts receivable, tax, inventory and other records are in a "safe" safe—not a potential "incinerator." This is important. For an "incinerator" safe would *cremate* your records if a fire ever started!

A fireproof building couldn't *prevent* it, either. For these buildings just wall-in fires, make them *hotter*. And you'd find you couldn't collect fully on your fire insurance, unless you could supply "proof-of-loss within 60 days"—which is tough to *do* without records!

Don't risk losing everything! 43 out of 100 firms that lose their records in a fire never reopen. If your safe is old, or doesn't bear the Underwriters' label, or carries a lower rating than your fire risk calls for—*replace* it! Get the safe that has *never failed*—the famous Mosler "A" Label Record Safe. Look below. See why it's the world's best protection. Then look up *Mosler* in the phone book, or mail coupon for free FIRE "DANGER*ater*."

P. S. If your secretary does take the initiative in this matter soon, let her go ahead. She's trying to win a trip to Paris in Mosler's new LIFE – advertised contest for secretaries. Trying to help you, too!

The Mosler "A" Label Record Safe will withstand 4 hours of severe fire at 2,000° F. Handsome. Modern. Equipped with "Counter Spy" Lock. Full range of sizes, at lower prices than people guess!



The U. S. Gold Storage Vaults at Fort Knox, and the vaults that withstood the Hiroshima Atom Bomb were built by Mosler. Only Mosler Record Safes are backed by such a reputation!

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PLUS & MINUS

Latest Indicators of Business Activity

Business activity is continuing to press forward, accompanied by new advances in stock prices.

Steel output reached 90.8 per cent of capacity in the week ended March 5, highest since June, 1953. Tonnage was about 6 per cent below the record set in March, 1953.

Auto plants produced 168,080 cars, only 3 per cent below the previous week's record volume.

Television manufacturers turned out 176,000 sets in the week ended February 18, up 58 per cent from the corresponding week of 1954.

Construction activity in February surpassed its January record of more than 40 billions per year.

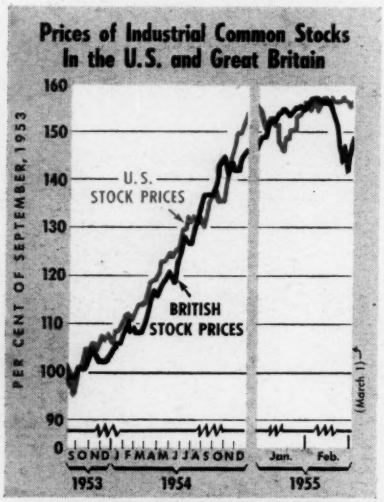
The housing boom evidently is stimulating sales of appliances, furniture and other goods for the home. New installment credit was extended on such goods at a rate of 9.5 billions per year in January, up 15 per cent above a year ago and a record high.

Layoffs, measured by new claims for unemployment compensation, dropped to only 216,000 in the week ended February 26, a quarter less than a year ago.

Investors, meanwhile, are giving careful consideration to U. S. stock values. They draw encouragement, on the one hand, from improvement in U. S. business and in corporate profits. On the other hand, they are made cautious by the extent of the market's rise, the fear that business cannot keep climbing, a recent rise of U. S. interest rates and a sharp drop in British stock prices traded in London.

U. S. industrial stocks, measured by the Dow-Jones average, rose to a new record high on March 3. Their level recently, as the top chart shows, has been nearly 60 per cent above the average of September, 1953.

British industrial stocks, also shown in the chart, rivaled U. S. stocks in their advance between September, 1953, and February, 1955. But, in February, British stocks fell sharply after increases in the discount rate of the Bank of England, first from 3 to 3½ per cent, then to 4½.



Source: Dow Jones & Co., Inc. and the Financial Times
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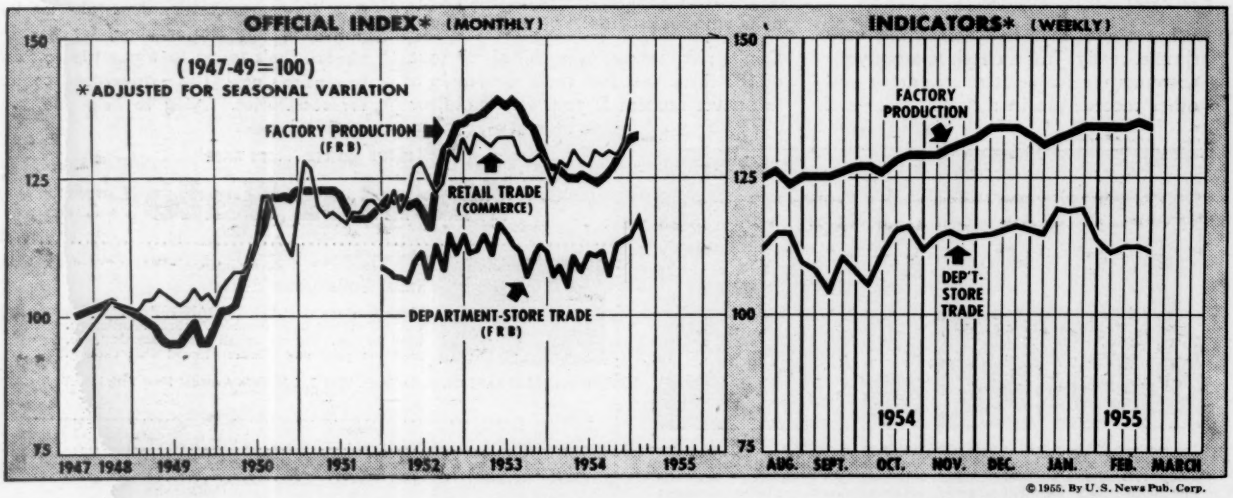
U. S. interest rates, though up in recent months, have had a smaller and more gradual advance. Corporate bonds of best quality now yield 3.02 per cent, compared with a low of 2.87 last October. This compares with a yield of a little more than 4 per cent on U. S. industrial common stocks.

The need of the U. S. economy for a money policy that will tighten and restrain the demand for goods is much less than the British need. Inflation has begun to take hold in Britain, but gives almost no sign of doing so in the U. S. To protect its reserves of gold and dollars, now totaling 2.7 billions, Britain must keep its prices from rising, lest exports fall and imports rise.

Past experience of British investors makes them jumpy at the thought of another Government program to restrain British spending for goods and services. In 1947, Britain tried to make its currency freely convertible into dollars. A crisis in the balance of payments arose, the Government took stern measures to deal with it, stock prices declined. In 1949, the pound was devalued. Again the Government restricted spending, and again stock prices declined. A third time, in 1951, gold and dollars declined, the Government tightened up its controls and stocks went down in value.

Recovery in British stock prices since 1952 has been spectacular. But during this period the British Government let interest rates decline, removed its excess-profits tax and many of its controls over business and consumer spending.

Risks of stock investment have increased in both the U. S. and Britain, now that stocks in both countries have climbed so far. But, for investors in U. S. stocks, the main risk is that business activity at some point will turn down, not that inflation will develop and bring drastic action by the U. S. Government.



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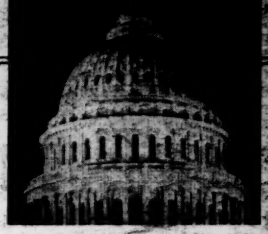
(This page presents the opinion of the Editor. The news pages are written by other staff members independently of these editorial views.)



ARMED COEXISTENCE

BY DAVID LAWRENCE

THE PEACE OF THE WORLD seems assured for at least three or four years.

That's the inference which we can logically draw from declarations made last week by Prime Minister Churchill and President Eisenhower.

Both statesmen confirm that the free world has the lead now in atomic weapons and may maintain it for a few years.

But Mr. Eisenhower adds that military superiority isn't related altogether to the quantity of atomic weapons made. After a certain point in numbers is reached, he thinks there is no advantage in making more. This means that, due to the progress of atomic science, destructiveness has already reached the peak of its power. If you can instantly pulverize a city with one bomb, there isn't much use in dropping ten more on the ruins.

For many months now the United States Government has exuded an unmistakable confidence. It has been apparent in the statements of our military men, and it has been specifically related to the calculated risk taken by the President in holding the armament budget down to a reasonable size.

On what is this confidence based? It is unquestionably an attitude derived from the inside knowledge which only the highest officials of the British and American governments possess—namely, that the Western powers have a decided advantage not merely in weapons but in their use from tactical locations.

The Soviet Union, for example, needs to fly her bombing planes across the top of the world or across the oceans to reach us for an attack, whereas we have bases within a few hours of the heart of Soviet Russia. Once the atomic weapons are strategically distributed along a defense line, a big war of aggression by the Soviet Union becomes improbable.

For what an aggressor faces is suicide. We, to be sure, would suffer grievously from attack, but our nation would not be destroyed. That's because our capacity to retaliate instantaneously is greater than that of the enemy, and our means of doing so is bound to be more effective because of the luck of geography.

We know in our hearts that our side will never start an aggressive war. We are, theoretically at least, opposed to a preventive war. What the situation might be if an aggressor mobilized and put his atomic force in a position really to threaten a surprise attack of large proportions is something else. We might then demand demobilization under penalty of attack. It's in the realm of conjecture what the state of mind of the nation would be if apprised of the possibility that several of our cities might be destroyed while our forces waited for authority to retaliate.

With the development, moreover, of the guided missile which will fire atomic shells from bases in the United States or Europe, the whole nature of war itself changes. It becomes an instantaneous affair that can at any moment be unleashed without warning.

The United States today is ahead on the techniques of guided missiles. In a few years, however, Soviet Russia may have them, too.

The stalemate is already here. Both sides are aware that neither can "win." Hence both will feel that there is nothing to be gained by striking a first blow. The world is, therefore, drifting into a state of armed coexistence.

Wars in the past have been fought when national honor has been at stake or in case of invasion. There has always been time, however, to deploy defensive forces. No such interval is likely to be available now. The defensive machinery must be set—and the guided missile affords just that kind of instant defense.

We have been paying high taxes for several years now to build a deterrent force so powerful that no aggressor would dare to risk an attack.

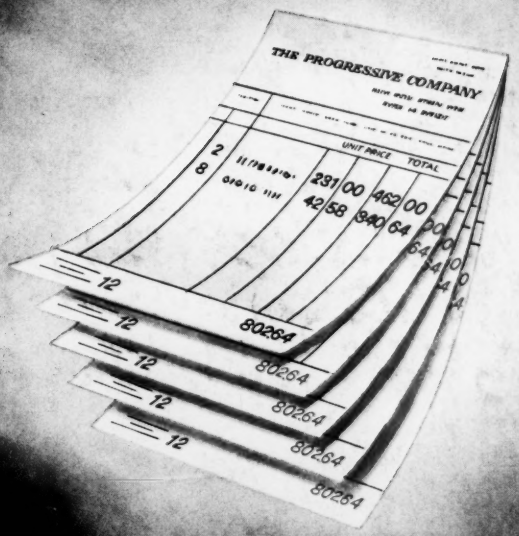
What we are witnessing is the fruition of a policy begun under the Truman Administration. It has been a policy of deterring aggression by building up atomic armament. Mr. Eisenhower has added one decisive factor—he has convinced a potential enemy that we really will use atomic weapons. "Massive retaliation" is, to be sure, the phrase of the century.

This state of armed coexistence is by no means peaceful. It means years of uneasiness and an unbroken tension. But time gives an opportunity for the natural forces of the age to work unremittingly toward a better existence.

Moral force can, in the meantime, permeate the world. It can and must be gradually mobilized to emancipate the peoples behind the Iron Curtain.

When these peoples recover their liberties and free governments arise, resting on the consent of the governed, armament burdens everywhere will be lifted. Then will armed coexistence be superseded by peaceful coexistence. Then will the nations of the world be able to harness the great energy producers of our times and convert the new lethal weapons into the plowshares of an enduring peace.

new!



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